

THE GULF WAR

Oil prices slip as traders wait for peace news

By Deborah Hargreaves

WORLD OIL prices fell yesterday as the chances of peace in the Gulf appeared more likely, but traders were confused about the direction of the market and eagerly awaiting more news on the peace process.

The trading community has been pulled in so many directions over the last few days and now it is holding out for facts," said Mr Peter Gignoux, director of international energy at Lehman Brothers in London.

The price for North Sea Brent crude for April delivery lost nearly a dollar to \$16.70 a barrel, but the market was quiet and had recovered some of its overnight losses in the course of the day.

The New York market was more frenzied at the start of the trading day and dropped almost \$1 a barrel in response to Mr Tariq Aziz's acceptance of Moscow's peace plan. However it recovered some of its losses when President George Bush issued the deadline for Iraq withdrawal, and was 35 cents lower at mid-session at \$18.15 a barrel.

President Saddam Hussein's "scorched earth" policy in Kuwait will have little effect on the world market for crude oil, since stocks are high and production has been made up for.

But the destruction of Kuwait's refining system will leave the world market for refined products such as kerosene and diesel vulnerable to supply disruptions. Kuwait's refineries produced about 600,000 barrels a day for the export market before last year's invasion.

Pipes in Kuwait's oil wells could be put out within weeks, according to the Kuwait Petroleum Corporation, which is operating out of London, but damage to refineries is more complicated to repair.

Gulf sources say the Shuaiba refinery on the coast, which had a capacity of 187,000 bpd, was set on fire earlier this

week. However, Kuwait's largest refinery, Al Ahmadi, which had a capacity of 370,000 bpd, was until recently in operation to supply the Iraqi military.

Since August, the world has learned to live without Kuwaiti products, but this has caused rationing of kerosene, used for cooking, in India, and shortages of jet fuel in Pakistan.

Japan which also imported products from Kuwait, has been running its own refineries flat out to cope with demand.

Mr Geoff Pyne, oil analyst at UBS Phillips and Drew, said: "If the Kuwaiti refineries are not rebuilt by next winter, you will see a rise in heating oil prices as the market reaches peak demand."

Kuwait's sophisticated refineries were important mostly for supplying naphtha, a chemical feedstock, to Japan, and kerosene and diesel to India and Pakistan.

Jet fuel is a product closely associated with kerosene and diesel, and Saudi Arabian refineries have been producing at full capacity to supply the allied military. This has meant no Saudi exports of these products have reached the export market.

Sir Peter Holmes, chairman of Shell, said last week that the world could be facing "a marginal shortage of refining capacity east of Suez" when the war ended. This was unlikely to result in a physical shortage of oil products, but might cause prices for some products to rise.

The Gulf war has already thrown out the traditional relationships between prices for oil products and crude oil. Refining margins in Europe are current two to three times greater than their normal levels of \$2 to \$3 a barrel.

The prices of refined products on the Rotterdam spot market yesterday showed differing reactions to the news from Kuwait. Naphtha, which is in firm demand, held steady at \$203 a tonne and jet fuel dropped \$30 a tonne to \$250.



Jordan disavows Palestine linkage

By Mark Nicholson in Amman

KING Hussein of Jordan said yesterday for the first time since the Gulf crisis began that Iraq's withdrawal from Kuwait should be achieved without any attempt to resolve the Palestinian problem.

The king's disavowal of linkage, which he has previously advocated in unflagging attempts to broker an Arab settlement to the crisis, came during a brief press conference yesterday at which he fully welcomed the Soviet peace initiative.

The weary-looking king, speaking before President Bush's ultimatum, said the Soviet proposals, which make no mention of the Palestinian problem, "fully fulfilled all the objectives" of all countries involved in the conflict, expressing his "hope and optimism" that the initiative would win peace.

However, although the king expressed thanks for the part played by the Soviet Union and Iran in setting up the peace initiative, he was careful to level no criticism at the US or any other coalition partner, a sign that despite recent frosty relations with Washington, the king is concerned to keep all diplomatic doors open.

In his sole reference to linkage, he said: "The Palestinian problem is a problem that should be addressed on its own merits, that should have been addressed on its own merits, and should be addressed in the times ahead."

In a throwaway remark before abruptly ending the

press conference he added: "Let's leave this out of it."

The king's explicit abandonment of linkage follows an implicit distancing from the position of Mr Saddam Hussein, the Iraqi leader, in recent weeks - most clearly signalled by the text of congratulatory letters to Baghdad after Iraq's UN resolution 660 late last week. In it, the king welcomed the Iraqi offer to withdraw, but made no mention of either the Palestinians or of any of Mr Saddam's other apparent conditions.

Some diplomats in Amman suggest that the king has grown increasingly frustrated with Mr Saddam's intransigence over recent weeks.

Yesterday's remarks will be received with an overdue acknowledgment of political reality in western capitals, but may be more reflectively received in Jordan, where up to 60 per cent of the population is Palestinian and where the king's strongly expressed support for Iraq has won him unprecedented popularity.

However, King Hussein's comments also reflect a deeply felt desire here to end the war, and a growing popular acknowledgement that Iraq faces certain defeat.

Such sentiments were widely expressed yesterday at a rally for the Democratic Front for the Liberation of Palestine, the third largest of the PLO's factions, which drew more than 6,000 Jordanians. The crowd's mood was distinctly more somber than celebratory.

However, Palestinian leaders at the rally were unanimous in welcoming the Soviet peace proposals.

Soviet premier regrets rouble scandal accusations were seen as an attack on foreign business

Moscow tries to mend links with west

By John Lloyd in Moscow

THE SOVIET prime minister, Mr Valentin Pavlov, yesterday sought to rebuild bridges with western businessmen after last week accusing western banks and foreign companies of involvement in a large-scale rouble scandal, aimed at destroying the Soviet economy and overthrowing the government.

Speaking to Soviet and foreign journalists, Mr Pavlov said he "regretted very much" that his accusations had been interpreted as an attack on foreign business. The government, he said, "stands for co-operation with the west and will encourage foreigners to own up to 100 per cent of businesses."

However he repeated charges that Moscow had been

subject to large-scale currency swindles, adding: "We have recently seen the emergence in this country of a kind of Colombian mafia which we must control."

The Soviet premier, reading from papers before him, gave details of two new alleged deals for the purchase of roubles by foreign enterprises - one for the purchase of \$100bn, the other, with the alleged involvement of the Far Eastern branch of a big British bank (which he did not name), for the purchase of \$25bn.

The latest allegations follow accusations that the British-based Dove International Trading was involved in an illegal \$140bn currency swap which led to the resignation of the deputy prime minister of the

Russian Federation and a political scandal.

The alleged deals have been greeted with extreme scepticism by western business people, who see little reason for buying roubles, especially in such vast quantities, and suspect the allegations are part of the fierce political infighting between supporters of Soviet President Mikhail Gorbachev and his arch rival Mr Boris Yeltsin, the Russian president.

Meanwhile, Mr Pavlov insisted that the new government's economic programme was aimed at ensuring transition to a market system.

He promised to cut the number of industrial ministries, to replace Gosplan, the state planning organ, with a new mini-

stry of science and technology, and to introduce privatisation legislation in the Supreme Soviet.

The gloss which Mr Pavlov put on his programme, in a relaxed and sometimes humorous appearance, was in marked contrast to the dramatic, crisis-ridden language he used in an interview in the trade union newspaper Trud last week. Then he spoke of a "plan to artificially create hyperinflation" with the aim of "overthrowing undesirable political figures", including Mr Gorbachev.

He presented himself as a responsible pro-market reformer, who expected to abolish a number of the ministries, which directly controlled production branches, leaving only

those covering the defence industry (a vast part of industrial output) and cars and agricultural equipment.

Enterprises, he said, should develop horizontal links between each other, while ministries and state industrial committees would have their powers confined to co-ordination and information. He claimed that state allocation of resources to industries would end this year.

In future, he said, the state should seek only to ensure minimal wage levels, leaving the determination of wages to the management and the trade unions. Enterprises would have the right to withdraw from the ministry of association which controlled them and become independent.

Australia sees big cut in budget surplus

By Kevin Brown in Sydney

AUSTRALIA yesterday cut its budget surplus forecast from \$28.1bn (\$3.2bn) to \$21.7bn, reflecting the impact of recession on the government's previously buoyant finances.

The revision means the public sector borrowing requirement is likely to be around \$87bn for the financial year to the end of June, compared to the budget forecast of zero. The government is also being forced back to the bond market for the first time since July 1989. Economists said it would probably raise up to \$83.5bn this year, and \$55bn next.

Mr Paul Keating, the Treasurer, announcing the new figures, said federal government debt would remain steady over the two-year period. He had previously forecast a repayment.

His announcement confirmed speculation that the budget arithmetic had been undermined by the recession. However, the recession has not yet reached its peak, and earlier indications

He laid most of the blame on a \$2.8bn reduction in tax revenues, subsidies of \$255m to wool and wheat farmers, a \$430m tax cut deal with the unions, and a \$570m shortfall in privatisation receipts.

The drastic cut in the surplus is politically embarrassing for the Labor government, which has made much of its fiscal conservatism compared to the previous Liberal administration. It could also have an impact on the government's anti-inflation strategy by making further tax cuts for wage restraint deal with the unions difficult to finance.

However, most economists agree that inflation will fall from nearly 7 per cent to 5 per cent or lower by the end of the year. The recession has also helped cut the current account deficit, which is running at around 65 per cent of last year's level.

The Treasury said it would hold its first bond tender on April 16, a second in May, and further ones throughout the next financial year. It did not say how much it would raise, but if Mr Keating's undertaking not to increase government debt is to be met, the total will be limited to the value of maturing bonds - around \$3.5bn this year and \$5.5bn next year.

Hungarian airline buys western jets

By Paul Betts, Aerospace Correspondent

MALEV, Hungary's national airline, is buying two Boeing 767-300 extended range aircraft for a total of \$130m as part of international expansion and fleet modernisation.

Although it already leases some Boeing 737 narrow bodied aircraft, it is the first time the Hungarian carrier has bought western aircraft. Its current fleet consists mainly of Soviet-built Tupolev Tu-134 and Tu-154 aircraft.

Like other eastern European airlines, Malev has been anxious to modernise its fleet with western aircraft to compete for growing international air travel business to and from East European countries. It plans to use its new Boeing 767s on long distance international routes including on services to the US.

Boeing has already supplied 767 airliners to LOT, the Polish carrier, and the European Airbus consortium has won orders for its A310 wide body aircraft from Aeroflot, the Soviet carrier. The former East German airline, and CSA, the Czechoslovak flag carrier.

The east European deals are also significant for western aircraft manufacturers coming to a time when many western airlines are considering deferring or cancelling orders because of the slump in the industry.

Western manufacturers believe there is considerable pent-up air travel demand in eastern Europe.

Italian tax on market profits approved

By Haig Simonian in Milan

ITALY'S first capital gains tax on stock market dealings was approved by parliament yesterday, bringing to an end a long saga of amendments since the measure was first imposed by government decree last September.

In the latest proposals, approved by the Chamber of Deputies' finance committee earlier this week, gains on stock market dealings will be taxed at either 25 or 15 per cent.

The rate of tax will depend on whether investors opt to pay the higher level as part of their annual income tax return, or the lower rate, which is payable in advance when dealing in equities.

Responding to clamorous criticisms from stockbrokers and floor traders, who threatened an indefinite strike against the proposals, the amended version before parliament includes measures to roll over losses for up to five years, for those opting to pay the tax annually.

Meanwhile, the tax rate on the advance payment method has been reduced from the 20 per cent level originally imposed by Mr Rino Formica, the finance minister.

Measures have also been put forward to allow a tax break for workers buying shares in their own companies.

The latest proposals have been welcomed by the financial community, which has watched in dismay the business on Italian stock exchanges plunged since Mr Formica's first decree last September.

Although dealers are not enthusiastic, they see the latest tax as broadly "acceptable" and are relieved that the confusion surrounding the measure is now over.

Two Menem appointees step down

By John Bertram in Buenos Aires

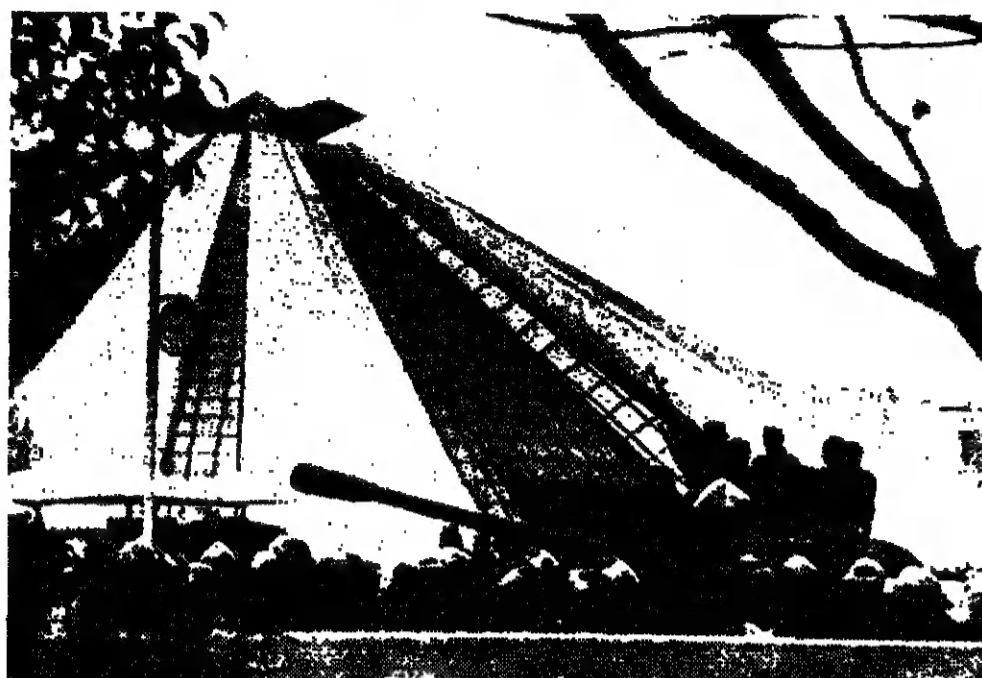
A NEW scandal has shaken the government of President Carlos Menem, forcing two senior Argentine officials to quit.

The resignation of Mr Cesar Arias as justice secretary and Mr Raul Granillo Campo, a top presidential aide whom Mr Menem designated last month as his next justice minister, is the product of bitter feuding within the government.

The removal of the two men, bitter enemies, further undermines Mr Menem's efforts to bring some stability to his government, rocked by deteriorating economy, internal divisions and accusations of corruption. In January, Mr Menem twice reshuffled his cabinet.

The two officials resigned after Mr Menem had inadvertently signed a decree they drafted pardoning 20 criminals.

The Senate's unwillingness to confirm Mr Ocampo as justice minister, gave Mr Menem no option but to sack the two.



CALM RETURNED TO ALBANIA yesterday following days of anti-Communist demonstrations during which students pulled down the giant statue of the late dictator Enver Hoxha and burnt his portraits and books. But the authorities were taking no chances. Armed troops surrounded the Hoxha Museum (above) in Tirana and other public buildings.

European ministers propel WEU into the front line

By Ian Davidson in Paris

DESPITE Dutch reservations, European foreign and defence ministers yesterday agreed to make the nine-nation Western European Union the central vehicle for a future European defence policy, with close links to the EC and Nato.

An interim report approved by the ministers said the WEU should be an integral part of the process of European integration, and should help to reinvigorate the Atlantic alliance by strengthening the European component.

The Dutch reservations were aimed particularly at the report's suggestion that EC summits should be empowered to issue guidelines for the work of the WEU. The Dutch are anxious to avert a situation

where the upgrading of the WEU, under the auspices of the Community, might undermine the Atlantic alliance.

Dutch anxiety to buttress Nato has been echoed by a letter from the US administration, addressed to all WEU states, underlining its concern.

But some other European governments, including France, want the WEU to come under the aegis of the EC heads of government, or even under their direct authority.

The report will become a key contribution to the EC's negotiations on political union in its inter-governmental conference. However, the report's terms go well beyond the generalities of previous proposals on European defence co-operation. It stresses the urgency of reappraising Nato's organisation and structures, and the need for European forces to play "a significantly more important part" in the collective defence, because of reductions in US forces in Europe. This will require an "identifiable European component", which will only be achieved if linked to the broader process of European union.

Indeed, the report virtually advocates the formation of a European caucus inside Nato, a notion which is likely to upset the US. Strengthening the European component in Nato, says the report, "should include the definition and introduction of WEU position into alliance debates".

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Ozal sacks another minister

By John Murray Brown in Ankara

TURKEY'S PRESIDENT, Mr Turgut Ozal, yesterday sacked his defence minister and nephew, Mr Mehmet Dogan, bringing to a head an embarrassing squabble between the Ozal family and the ruling Motherland party.

The sacking of Mr Dogan,

the fourth minister dismissed in the past six months, will be seen as further evidence that Mr Ozal is now siding with the moderates against his conservative former allies.

Mr Dogan was a leading figure on the government's Islamic wing and was once vetoed by the

military for his extreme views.

But at the heart of the current crisis is Mr Dogan's opposition to the political ambition of Mrs Sema Ozal, the president's wife, who last week announced her bid to become ANAP party chief in Istanbul, an Islamic stronghold.

Solidarity to pick new leader

By Christopher Bobinski in Warsaw

POLAND'S Solidarity union meets in Gdansk today to elect a leader to succeed Mr Lech Walesa, now the country's president. It does so at a time when its 2.5m members face difficult questions about their role in the rebuilding of capitalism in Poland.

The government, with its origins firmly in the Solidarity camp, is resisting mounting pressure to ease wage restrictions. It is also seeking to assure the International Monetary Fund, in talks crucial to

hopes of large debt reduction, that it will be brought under control.

The Solidarity union, meanwhile, no longer the strong political movement it was a decade ago, is torn between its loyalty to the government and the prospect of losing credibility if it fails to put itself at the head of shop-floor demands for higher pay.

Not only will the Gdansk congress show how militant a union Solidarity should be, it will also indicate to what extent the movement wants to reassert its claim to a special place in Polish politics, akin to the leading role once held by the Communist party.

Mr Bogdan Borusewicz, from Gdansk and originally favoured by Mr Walesa to succeed him, and Mr Lech Kaczynski, the union's present secretary-general, are front-runners for the leadership. Mr Walesa, who will be present at the congress, has yet to clarify his current preference.

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Hong Kong to aid upwardly mobile

By John Elliott in Hong Kong

HONG KONG'S thousands of bustling commuters are to have a new way of getting from their downtown offices, where they spend the day frenetically striking deals and making money, to the colony's most crowded middle class multi-storey ghetto, called Mid-Levels.

An 800-metre-long series of hillside escalators is to be built at a cost of some HK\$200m over the next two years to carry up to 27,000 people a day. It will snake upward from Connaught Road in the smart central office district near the harbour, past crowded offices, bazaar stalls, antique shops and a mosque, to the residential concrete jungle of Conduit Road in Mid-Levels.

This is near the level above which ethnic Chinese were banned from living in

the early decades of Britain's colonial rule, leaving the clean but often misty air of Hong Kong's famous Peak district to top expatriates.

Now the Chinese live all over and, along with *guelios* (foreign devils), are increasingly filling new blocks of flats of 50 storeys or more in the Mid-Levels area.

This has put such a strain on old narrow and hilly roads that Hong Kong's government, after much delay, has decided to go ahead with the escalator despite the enormous expense of the project.

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will include 23 covered travelators and escalators, and access footbridges. Yesterday a HK\$180m construction contract was signed with a consortium of a local branch of the French Sogea company and Paul Y Construction of Hong Kong.

Meanwhile, talks in Peking between Hong Kong and Chinese officials on the proposed new airport have made only slow progress in the past two days and China is unlikely to give its blessing to the project in the near future.

Next week Hong Kong will announce that Mr Richard Allen, former chairman and chief executive of Kier, part of the British Beazer group, has been appointed chief executive of the Provisional Airport Authority which is in charge of the project.

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Peking disgraces former senior official in colony

CHINA HAS publicly disgraced Xu Jiatun, the 75-year-old former top official in Hong Kong who fled to the US last April, by removing him from his parliamentary positions on the National Peoples' Congress, writes John Elliott.

Xu is believed to have fled because he feared he would be disciplined for failing to condemn massive pro-democracy demonstrations in Hong Kong in 1989, when he was director of the Xinhua News Agency, Peking's de facto consulate in the colony.

He was high in Peking's

Communist hierarchy and his failure to return to China makes him one of the country's most senior and embarrassing defectors. Control of officials in Hong Kong and other foreign posts has been tightened since his departure.

Xu's Guangzhou branch in south China said yesterday that the standing committee of Guangdong province's peoples' congress, where Xu was a delegate, had decided earlier this week to strip him of his duties as a representative.

It said he had "betrayed the people" by leaving for the US and not returning.

UK NEWS

City gives mixed reaction to pricing of power sell-off

By Clare Pearson and Juliet Sychrava

THE government confirmed yesterday that National Power and PowerGen, the two electricity generators, will be floated with a fully-paid share price of 175p and an annual dividend yield of 6.3 per cent.

In setting the terms the government has tried to avoid the accusations of underpricing that followed the sale of the 12 regional electricity companies last November.

City analysts' verdicts yesterday ranged from "competitive" to "right" in "disappointing". They said it left little scope for a large early premium when dealings start on March 12.

However, L.G. Index, the financial bookmakers, quoted first-day prices of 119p for National Power and 122p for PowerGen compared with the initial payment of 100p. Mr Frank Dobson, shadow energy secretary, said that it was a "bargain basement price in a government clearance sale".

Private investors should

have more chance of getting larger allocations than in the sale of the regional companies. The minimum application level has been set at 300 shares, compared with 100. Even if there is heavy public demand, the minimum allocation is unlikely to be much under 250 shares. The government has not ruled out a ballot.

The sale of 60 per cent of the shares in each company will raise £2.16bn - £350m higher than expected earlier this year. Adding on the company's debt, government proceeds from the privatisation will amount to £2.9bn.

Investors have to buy shares in both companies, which will be offered for sale in a package containing 82 National Power shares and 38 PowerGen shares.

The price was set after institutions told the government how many shares they were prepared to buy at different yield levels. Those who bid at above 6.3 per cent were elimin-

nated, but that left three out of four UK institutions which took part with allocations.

UK private investors will initially be allocated 28 per cent of the flotation, but if their demand is 1.5 times higher than that, then another 21 per cent of shares initially set aside for institutions will be made available. This will give them a maximum allocation of 49 per cent, compared with 54.6 per cent in the privatisation of the regional companies.

If public demand is strong, the government plans to hold an international tender just before the start of dealings. This will happen only if institutions' shares are clawed back for the public.

Under this tender, shares representing 16 per cent of the total offer can be reshuffled between underwriters through a second bidding process. Institutions will have to bid at above the fixed price and those successful will have to buy stock at the price they bid.

Japanese allocated 8% of generators

JAPANESE investors, who have been enthusiastic buyers of shares in the regional electricity companies, have been rewarded with a sizeable allocation of the £2.16bn sale of shares in the generators, writes Clare Pearson.

Japan has been given 40 per cent of the £430m shares initially laid aside for overseas investors - 8 per cent of the total sale. In the sale of the

regional companies last November, Japan had only 4 per cent of the total.

Nomura, the securities house acting as lead-manager for the issue in Japan, reported very strong interest.

Japanese investment in the regional companies has increased by a net 50 per cent since flotation, even though the shares have traded at big premiums to their issue price.

Continental European investors have been allocated 5 per cent of the generators' shares and Canada 3 per cent.

These allocations could change if demand from UK private investors is strong - in which case there will be some clawback of overseas shares - and if a tender for international and overseas underwriters is held just before stock market dealings start.

Ravenscraig to lose a further 1,100 jobs

By James Buxton, Scottish Correspondent

BRITISH STEEL yesterday blamed increasingly difficult trading conditions for its decision to cut the workforce at its Ravenscraig plant near Motherwell, Lanarkshire, by a further 1,100.

It is to continue to keep one of the two operating blast furnaces at the plant out of action and to supply the adjacent Dalzell plate mill from its Teesdale steelworks instead of from Ravenscraig.

Last month British Steel said it was temporarily closing one of the blast furnaces because of an anticipated 13 per cent fall in demand for strip products, intending to review the decision at the end of March. Yesterday it said the review had been brought forward

because of a continuing fall in demand and weak prices for strip products in both UK and international markets.

This brings the number of jobs being shed this year by British Steel in Scotland to just over 3,000. The strip mill at Ravenscraig closed last week, with the loss of 770 jobs. The Clydesdale tube works at Bellshill is to close next month with the loss of 1,200 jobs.

By the end of July, when the 1,100 people affected by yesterday's announcement have left Ravenscraig, British Steel will have only 2,300 people at its Scottish plants. Last week British Steel announced 800 redundancies at its Scunthorpe works on Humberside.

The news of the latest job losses was

greeted in Scotland with anger tinged with resignation. Mr George Quinn, a union convenor at Ravenscraig, said: "It's the end of Ravenscraig."

Like others, he is concerned that the viability of the plant will be undermined by the permanent shutting down of one blast furnace and by the breaking of the link between Ravenscraig and Dalzell.

The Scottish Development Agency, which is still studying options for the future of the Scottish steel industry, said the decision was "bitarily disappointing" although it did not specifically affect the slim options that it was studying to persuade British Steel to keep Ravenscraig open in the future.

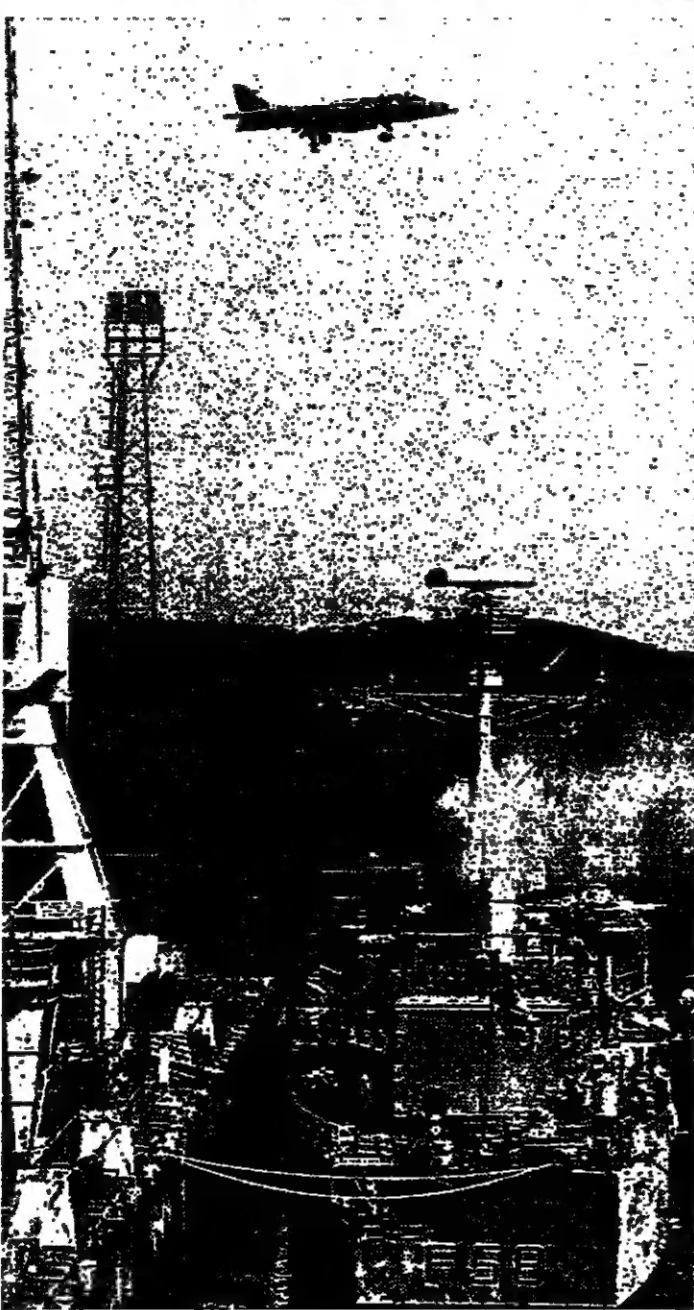
Mr Ian Lang, Scottish secretary, said

the decision, though widely predicted, was most unwelcome news for Lanarkshire, where the government would be stepping up its studies of the consequences of British Steel's withdrawal. But he said he had been assured by Mr Martin Llewellyn, British Steel's chief executive, that British Steel's commitment to keep Ravenscraig open until 1994, "subject to market conditions", still stood.

British Steel said the decision to close the blast furnace was part of its policy of preferentially leading its lowest cost plants. It was more efficient to supply the Dalzell plate mill from Teesdale than from Ravenscraig whose output of steel slabs would continue to go to plants in Wales.

Rosyth community prepares for survival

James Buxton reports on local opposition to the leaked closure of the naval base



Watershed: Rosyth's closure would be a "body blow" to Fife

FOR the people who live around the grey naval base at Rosyth only a few miles across the water from Edinburgh on the north side of the Firth of Forth, the past few weeks have been a time of disbelief which has gradually turned into deep gloom.

The disbelief came just before Christmas when a newspaper report said the base - busy despatching destroyers, minehunters and fleet auxiliaries to the Gulf - had been earmarked for early closure.

Official denials were notable for their refusal to rule out such an eventuality. In the past few days despatching documents leaked to Mr Gordon Brown, MP for Dumfriesshire and Galloway, revealed a timetable for the announcement of the closure: on March 28 ministers would consider a decision that had already been taken by the Navy Board and the run-down, it appeared, would be swift.

Those campaigning for the base's survival hope the furore provoked by the disclosures will force the government to reconsider. The Defence Ministry and the Scottish Office are both embarrassed: the campaigners, however, are very worried.

The closure of the Rosyth base would be part of the £500m cuts foreshadowed by Mr Tom King, defence secretary, last August. Few in Scotland had imagined that the £170m worth of cuts that the Navy was expected to make would include Rosyth, a feature of the landscape since it was built in 1905 as part of Britain's defence against Germany.

The military rationale for closing the base is that the receding threat from the Soviet Union means naval forces no longer need to be concentrated so heavily in Scotland.

The disadvantage of Rosyth's location was also recently exposed when its minehunters setting out for the Gulf had to sail for nearly a week before leaving British waters.

Only two weeks ago, the US announced that it would be closing its base for Poseidon submarines at Holy Loch on the Firth of Clyde, probably by the end of next year.

That base has been made redundant by the imminent replacement of Poseidon submarines with larger Trident boats.

The spending power and indirect employment generated by 2,300 naval and civilian personnel at Holy Loch will be removed from the rural Cowal peninsula.

In Rosyth, 2,300 civilians employed by the naval base could lose their jobs, while about 1,000 naval personnel would leave who are currently a busy industrial area.

There are no proposals for closing the Rosyth naval dockyard which lies beside the base and employs 5,300 people. However, Babcock Thorn, the joint venture of Babcock and Thorn EMI which has run the dockyard under contract to the MoD for the past three-and-a-half years, has its own problems.

Although less than 5 per cent of the dockyard's £180m annual turnover comes from the base, last year the Navy substantially reduced the volume of the dockyard's core work by cutting the number of refits for the submarine fleet, which is itself being scaled down.

Yesterday Mr Allen Smith, Babcock Thorn's managing director, said the company was trying to fill the short-term gaps in its workload by seeking other work from the Navy and expanding its volume of civilian contract work, currently worth about £10m a year. How-

ever, he warned that he may soon have to shed 500 jobs.

Mr Smith stressed that the long-term future of the base was secure. Preparations are under way for refitting Trident submarines at Rosyth, and the construction of a £250m dock is to start this year for completion in 1997.

The Trident programme looks like becoming the Navy's main presence in Scotland. One of the largest construction projects in Europe is at Cowal and Faslane on the Firth of Clyde building bases for Britain's Trident submarines.

That is little comfort for the Dumfriesshire area of Fife which fears a rise in unemployment (already, at 9.4 per cent, above the Scottish average of 8 per cent); the collapse of its housing market, the top end of which is sustained by demand from naval families; and the loss of consumer spending generated by the Navy.

"We're very concerned - it would be a body blow," says Mr Ray Baker, regional manager of GPT, the UK telecommunications equipment manufacturing group, at Rosyth, and chairman of Fife Enterprise, the new local enterprise company which is taking over from the Scottish Development Agency. Fife Enterprise recently completed a detailed plan for strengthening the local economy. "Closure of the base would almost nullify everything we've done," says Mr Baker.

However, there are ideas for creating a commercial port in the former naval base, and possibly an enterprise zone. For the moment though, efforts are being concentrated on averting closure in the first place.

An article on the Rosyth naval base on Thursday should have referred to a letter from "Vice-Admiral Sir Michael Livesey, flag officer Scotland and Northern Ireland", not "Commander Michael Livesey".

NEWS IN BRIEF

'Difficult' for Parrot to raise £3m

RAISING £3m in equity finance to get Parrot Corporation in operation had proved much more difficult than any of the company's original backers had envisaged. Mr Frank Peters told Cardiff Crown Court yesterday, writes Anthony Norwood.

Mr Peters, former managing director and largest shareholder in Parrot, which collapsed in 1988 with debts of £11m, is defending himself against two charges of producing a false document to secure a guarantee for a loan. He said the company had sought to open a plant to manufacture floppy discs outside Newport, Gwent, with help from the Welsh Development Agency.

Even a loan from the European Coal and Steel Community, for which the company qualified, had become difficult because British banks, which act as lending agents for the ECSC, had considered the risk too great in the absence of collateral assets. He had then approached Northern Trust Company, a British subsidiary of a US bank.

Mr Peters denies forging company minutes to obtain the ECSC loan guarantee at preferential rates from Northern Trust. The case continues.

EC draft 'too rigid'

MR JOHN REDWOOD, minister for corporate affairs, said the European Commission's draft 13th Company Law Directive, the so-called Takeover Directive, was too rigid and risked harming the UK's self-regulatory system.

Tessas reach 1.5m

SAVERS opened 1.5m tax exempt special savings accounts (Tessas) when they were introduced last month, according to a survey by FRS and SRA, members of the MAI Information Group. Banks won nearly 50 per cent of Tessa business.

Foreign stake grows

FOREIGN investors own a greater share of British companies than had previously been thought, according to the latest share register survey from the Central Statistical Office.

Unit trust sales slow

UNIT trust sales got off to a slow but positive start in 1991, with net new investment in January of £129.7m - almost the same level as last year.

SIB's levy proposals

THE Securities and Investments Board issued a consultative document on how financial advisers are to pay levies to finance the Investors Compensation Scheme in 1991-92.

Following a dispute with Fimbre, the self-regulating organisation for independent financial advisers, SIB has gone to the High Court for a ruling on the legal status of certain levies. It proposes that the levy is in two tranches, the second being determined after the High Court ruling.

THE BLUE ARROW TRIAL

Directors knew of add-ons, jury told

BLUE ARROW directors were fully aware that advisers were buying extra shares in the company after the official closure time for its unsuccessful 1987 rights issue in September 1987, the Blue Arrow trial was told yesterday.

Under cross-examination, Mr David Roper, former vice president of Dillon Read, the US advisers to Blue Arrow, agreed that no attempt had been made to "keep in the dark" those Blue Arrow directors present at the meeting on September 23, 1987, when the extra shares were bought.

Court report by John Mason

Mr Jeremy Roberts, QC for Mr Jonathan Cohen, the former County chief executive, suggested the directors were aware of what was happening. Mr Roper replied: "That is correct."

Mr Roper, a prosecution witness, admitted that "alarm bells rang" when it was suggested that County NatWest, Phillips & Drew and Dillon Read should buy shares after the 3pm deadline.

However, he accepted on trust an assurance from Mr Nicholas Wells, a former County director and one of the

defendants, that this proposal had been checked by lawyers.

Later, challenged by Mr Vivian Robinson QC, for Mr Wells, he agreed this assurance could have referred to legal advice taken before the meeting rather than after it became known that only 38 per cent of the issue had been taken up.

County NatWest, NatWest Investment Bank, UBS Phillips & Drew Securities and seven city professionals including Mr Wells and Mr Cohen, deny conspiring to mislead the markets over the outcome of the record-breaking rights issue to finance Blue Arrow's takeover of Manpower, the US employment agency.

Mr Roper said there was nothing unusual in a merchant bank "doing its bit" to support rights issues it was managing and that it was not customary to inform the markets of this.

He agreed with Mr Roberts that County had behaved responsibly in buying the shares and selling them gradually so as not to depress the share price.

However, questioned by Mr Nicholas Purnell QC, for the prosecution, Mr Roper said he had no previous experience of shares being bought after the closure deadline.

The trial continues on Monday.

Job losses in newspapers

By Alice Rawsthorn

NEARLY 100 job losses were announced yesterday in the newspaper industry through cost cutting at the Press Association, the London-based news agency, and the Southern Evening Echo in Hampshire.

PA, which supplies news to national and local newspapers, is reducing its workforce by 75 - one in seven employees - during this year.

These job losses, a combination of natural wastage and redundancy, are part of ration-

alisation intended to save £1m a year. PA plans to contract out "peripheral" services such as cleaning and security and to cut 12 journalist jobs.

Mr Robert Simpson, chief executive, said the downturn in advertising had forced many newspapers subscribing to PA to cut editorial costs. PA had lost £200,000 in recent months due to cancellations.

The Southern Evening Echo, based in Southampton, announced the loss of 18 jobs.

Iraqi businessmen to leave

By Richard Donkin

TWO IRAQI businessmen whose London company was suspected of trying to export missile technology to Iraq were allowed to leave the UK yesterday after completing a deal to sell their engineering subsidiary.

Mr Adnan Al-Amiri and Mr Hana Jon, two directors of Technology and Development Group, a company ultimately owned in Baghdad, were among the British-based Iraqis rounded up and held in Pentonville prison.

Both were later freed to allow them to complete negotiations for the sale of Matrix Churchill, the Coventry machine tool manufacturer, but the Home Office would not extend the deadline on their deportation order beyond yesterday.

Complex negotiations to sell the company to Automation Investments, the holding company of BSA Tools, the Birmingham lathe maker, ended on Thursday night.

Details of the deal were not released by TDG but it is understood that Automation Investments will not need to make any payment for two years, when it will have to make the first of two staged payments totalling about £3m.

The deal also includes the possibility of an additional payment if the net asset value of the company rises above £3m. Charges brought by UK Customs and Excise were levelled against Mr Paul Henderson, ex-managing director, Mr Peter Allen, ex-sales and marketing director, and Mr Trevor Abraham.

The charges referred to the export of machine tools to Industria Cardoen of Chile, from where, it is alleged, they would go on to Iraq.

Two years ago, Technology and Development Group entered into a joint venture with a company owned by Dr Gerald Bull, the Canadian inventor of the Iraqi supergun who was assassinated last year.

Companies that negotiated the sale of machine tools to Iraq for use in the manufacture of military equipment it had a 27m contract to supply machine tools for a military production line in Iraq.

Three former Matrix Churchill directors were charged earlier this week with offences under the export of goods control orders. The charges, brought by UK Customs and Excise, were levelled against Mr Paul Henderson, ex-managing director, Mr Peter Allen, ex-sales and marketing director, and Mr Trevor Abraham.

The charges referred to the export of machine tools to Industria Cardoen of Chile, from where, it is alleged, they would go on to Iraq.

Two years ago, Technology and Development Group entered into a joint venture with a company owned by Dr Gerald Bull, the Canadian inventor of the Iraqi supergun who was assassinated last year.

Official indicators show no sign of early upturn

By Peter Marsh, Economics Staff

HOPES THAT the recession may be near to bottoming out were weakened yesterday by official economic indicators showing no sign of an early upturn.

The Central Statistical Office's longer leading indicator, which is designed to show changes in the economy a year before they happen, fell by a third of a percentage point in January, after two months during which it stayed constant.

This indicator, which is based on a number of factors such as share prices, interest rates and housing starts, declined to a low of 94.4 last May.

Since then, however, it has failed to show a sustained move upwards. According to revised CSO data, the indicator reached 94.6 in October, and stayed at 95.1 in both November and December, before falling to 94.8 last month.

The trend indicates that the economy has yet to show clear signs of reaching a trough, an impression confirmed by other CSO indicators published yesterday which foreshadow changes in the economy a few months before they occur.

All the indicators support the theory that economic activity will continue to decline to reach a low around the middle of this year. At this point, helped by cuts in interest rates, a slow recovery could start.

Some early signs of an upturn could occur when the CSO publishes its longer leading indicator for February in about a month's time.

This figure is likely to be higher than the January number, showing the effects of the recent rally in share prices and the high percentage point cut in base rates on February 13.

By-election contenders focus on poll tax review

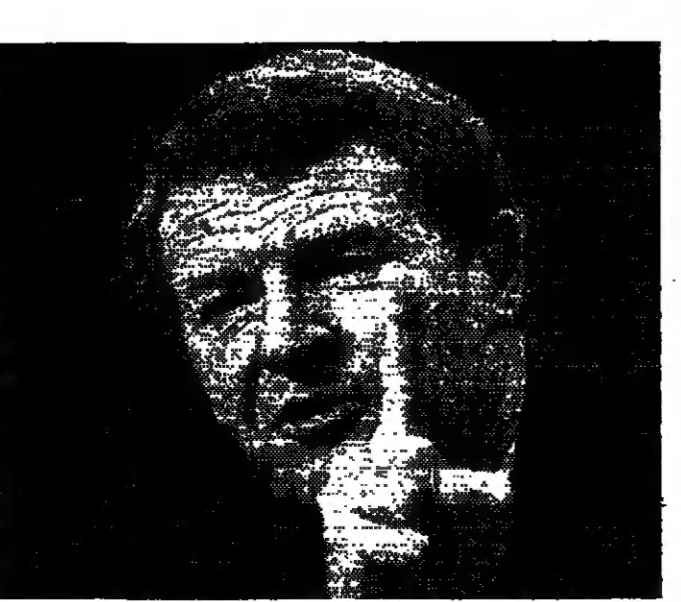
By Ralph Atkins

THE RIFT between Conservative and Opposition parties over the government's review of the poll tax yesterday spilled into clashes between the main contenders in the Ribblesdale Valley by-election.

As interest in the review's outcome intensifies, Mr Michael Heseltine, environment secretary, said he would "not be rushed into doing anything hasty" and attacked Labour for not taking part in consultations. Labour accused him of planning a "two-tax system".

Mr Paddy Ashdown, leader of the Liberal Democrats, last night challenged Mr Heseltine to make clear whether Tories were campaigning in Ribblesdale Valley in support of the poll tax or against it.

The by-election, the first under Mr John Major's premiership, is regarded at Westminster as likely to influence the timing of the general election - in spite of ministerial efforts to dampen speculation



Paddy Ashdown: challenged Tories to clarify their stance

about the election's timing. Mr John Wakeham, energy secretary, last night told Con-

servatives in north-west England that "speculation on the subject, especially when

our troops are in actions abroad, is profoundly unhelpful". The government's interest rate policy was also attacked again by Sir Alan Walters, former adviser to Mrs Margaret Thatcher. In an article in the London Evening Standard he warned that the government could let Labour win the next election.

However, Mr Chris Patten, Tory party chairman, last night said beating inflation was "at the heart" of the government's programme. "Matching and, if possible, bettering the inflation performance of our competitors will be a cornerstone of our next manifesto," he said.

The Conservative candidate in Ribblesdale, Mr Nigel Evans, is defending a majority of more than 19,000. The contest on March 7 was caused by the elevation to the House of Lords of Mr David Waddington, former home secretary.

Speaking in the constituency, Mr Heseltine said his invitation to Labour still stood, and insisted that his review would be fundamental. "We are determined to get the next steps right," he added. Also in Ribblesdale, Mr Neil Kinnock, Labour leader, focused on rumours that the government was planning a system of local government finance involving a property tax topped up with a tax per person. "The party that gave you the poll tax to replace the rates is now about to give you the poll tax plus the rates," Mr Kinnock said.

When nominations for the by-election closed yesterday there were nine candidates including an Independent Conservative and a candidate describing himself as the Raging Loony Green Giant Clithero Kid. 1991 general election figures: Conservative, 30,138; SDP/All, 10,608; Labour, 8,781. Conservative majority, 19,528.

Labour pledges boost for regional spending

By Paul Cheeswright, Midlands Correspondent

LABOUR will increase spending on regional incentives for companies if it is returned to power, Mr Gordon Brown, the party's trade and industry spokesman, promised yesterday. But, he added, "we will only spend what we can afford to spend."

Speaking in Wolverhampton after meetings with local political leaders, trade unionists and businessmen, Mr Brown undertook to put central government resources behind local initiatives to improve the business performance of companies in the regions.

Mr Brown was outlining the main elements of what he called "a new generation regional policy to help bridge the gaps in performance with our competitors." These proposals ran alongside the party's new policy on industry, which will be formally announced on Monday.

Labour's plans for the regions, he said, included support for regional technology networks which would include places where companies could go for a one-stop service to help them benefit from technological innovation.

Reflecting the desire to provide incentives for established companies, as well as those making fresh investment in a region, Mr Brown promised grants to support training and research and development. He also undertook to help small and medium-sized companies break into overseas markets.

He linked regional and training policy, observing that even with the economy in recession some companies still face skills shortages. Noting that 100,000 school leavers a year receive no training at all, he gave a guarantee that all 16 to 19 year olds would get "high quality training".

UK NEWS

Barclays wins union backing for revised offer

By Michael Smith, Labour Correspondent

BARCLAYS BANK, the first of the big four clearing banks to enter pay talks this year, yesterday won union negotiators' backing for a revised offer which it says will add slightly more than 7 per cent to non-managerial staff costs during the full year of the agreement.

The proposed deal, accompanied by an agreement on job security, will influence pay talks at Lloyds, National Westminster and Midland banks and other financial services companies. They will also set the tone for talks in other white-collar sectors.

If approved in a ballot, salaries would be 9 per cent higher by the end of the 12 months but the effect of the agreement on this year's pay bill has been mitigated as it will be implemented in stages.

Pay will be frozen at its present level in the first month of the agreement, then rise by 7.5 per cent from March 1, the second month, and by 1.5 per cent from August 1, the seventh month.

Barclays had justified its initial offer of 7 per cent by saying that pay settlements nationally had to come down to help reduce inflation and interest rates.

The full-year cost of the deal it has struck with negotiators of the Barclays Group Staff Union is considerably less than the last reported inflation rate of 9 per cent. However, the

staging of the deal means that there will be a delayed effect on next year's pay bill; the pay-bill for the year from next February would rise even if the bank decided to freeze salaries.

BGSU, one of two unions which negotiates with Barclays, has agreed that if members approve the deal, it will not submit a claim for an increase in territorial allowances before July 1992. The allowances are normally reviewed every August.

The bank has undertaken to "use all possible and reasonable means to avoid compulsory redundancies" during the next two years and to maintain current voluntary severance terms.

BGSU sought assurances on job security after an interview in the Financial Times last Monday in which Sir John Quinton, bank chairman, said that he wanted a cut of 15 to 20 per cent of the bank's 87,000 employees during a period of years.

The pay and job security offer is still being considered by the Banking, Insurance and Finance Union which said acceptance was by no means certain.

Mr Eddie Gale, BGSU general secretary, said the 9 per cent phased increase was a considerable improvement on the opening offer.

Voting in the ballot would be influenced by the payout of a profit-sharing scheme due to be announced next Thursday.

Lottery supporters pursue their national prize

Neil Buckley reports on the growing campaign for a nationwide draw to raise funds for worthy causes

AS speculation grows that the government might be planning to change laws that prevent a national lottery, one company believes it may have found a way round them.

UK Charity Lotteries launched the Scratchcard lottery across London earlier this month and says it has sold more than 1m tickets. Mr Frank Flannery, the managing director and an affable Irishman, has a particular reason for wanting Scratchcard to succeed - his last game venture, Skilball, was suspended at the end of last year.

Scratchcard is not one lottery, but a series of them run on behalf of different organisations. Each falls within the 1976 Lotteries and Amusements Act, which limits the value of tickets sold in any one lottery to £180,000 with a £10,000 maximum prize.

Tickets are on sale at 5,000 shops and pubs, and 78 charities and 53 arts and sports clubs have joined the scheme. They will receive 27 per cent of the proceeds. The promoters take 25 per cent while the remaining 48 per cent is paid out in prizes.

Mr Flannery says the scheme will go nationwide if enough organisations join and demand for tickets is high enough.

He has chosen an interesting



Platform tickets: travellers try Scratchcard yesterday at Victoria station, London

time to launch the game. There were reports last week that Mr John Major, the prime minister, had asked the Treasury to investigate the possibility of a national lottery and there is speculation that legislation to allow one may be announced in the Budget next month.

A Treasury official this week denied that a national lottery scheme was being actively investigated. "It's something that's always on the back burner. Occasionally we bring it forward to the front burner and, to mix my metaphors, we

never put it in the fridge."

Outside Whitehall, support has grown for a national lottery. The Sports Council, the British Olympic Association and Lord Palumbo, Arts Council chairman, are backing a plan put forward by the Lottery Promotion Company, formed four months ago to press for a change in the law.

The company is headed by Mr Denis Vaughan, the conductor, Lord Harewood, chairman of the English National Opera, Mr Eddie Kulukundis, the impresario, Mr Denis How-

ell, Labour sports spokesman, and Lord Birkett, former deputy director of the National Theatre. Last week the company circulated a brochure putting the case for a national lottery to benefit the arts, sport and the environment. It believes such an operation could raise £30m a year.

The company proposes a quango responsible for granting franchises, distributing income, arranging audits and compiling an annual report to parliament. The company itself would be abolished once the

lottery was operating. National lotteries are part of the social fabric in many overseas countries. Every other European country apart from Albania has at least one. Lotteries raised more than £11.6bn in Europe in 1988.

Previous attempts to set up such schemes in the UK have a chequered history. Skilball, the electronic spot-the-ball game installed in corner shops and newsagents last year, was perhaps the closest the UK has come to a national lottery.

Skilball organisers said it could raise £800m in three years for a charitable trust, chaired by Mr Norman Tebbit, the former cabinet minister, which would distribute the proceeds among charities for the mentally and physically handicapped.

The game was suspended in December having paid only £190,000 to the trust. This was eaten up by administrative costs, but Mr George Wilson, the trust's secretary, said this week he expected to receive a further £40,000 that would go to charities.

Questions were asked in the Commons about the failure of Skilball. However, Mr Flannery, the managing director of Golden Grid, the company which ran the game, insists the project failed because of poor marketing and advertising, and because the game was too com-

plex and time-consuming. Skilball was allowed to operate on such a large scale because it is technically a game of skill, not a lottery, and so not subject to the restrictions of the 1976 Lotteries and Amusements Act.

This act was a product of traditional objections to a national lottery. The Methodist church this week said: "Lotteries make poor people even poorer. People bet money they haven't got on numbers which won't come up."

A powerful objection is that there is "only so much in the well". A national lottery, it is said, may reduce the amount people give to charity. It could also hit football pools and other traditional forms of gambling and the proceeds which go to the government in taxation.

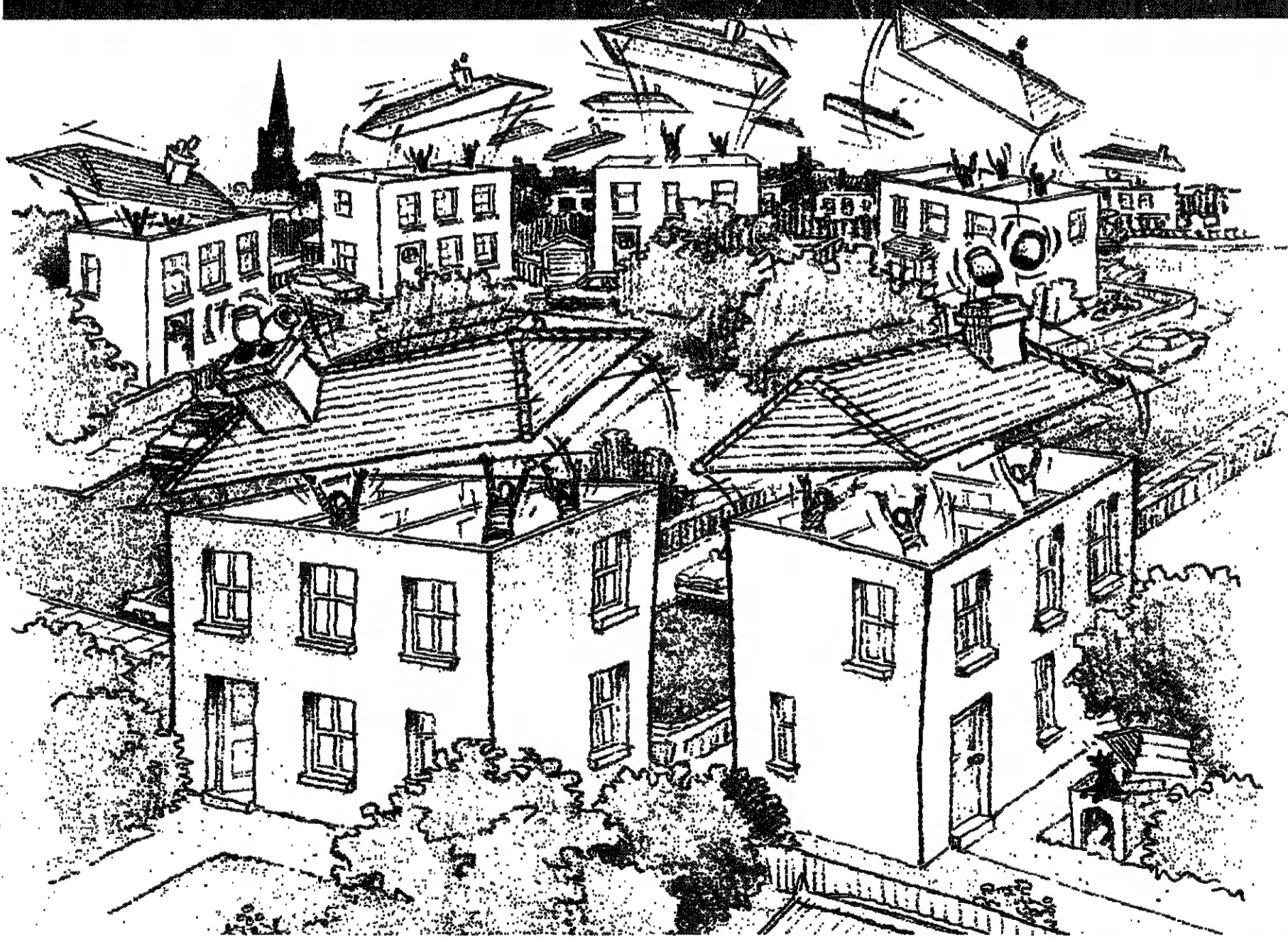
The pro-lottery lobby argues that a national lottery would be a harmless and non-addictive amusement, like a raffle, and would attract new money.

A final incentive, supporters argue, is that with the advent of the single European market in 1992, the European Commission may put pressure on the UK to change its law preventing foreign lotteries from operating in the country.

It would be a tragedy, the campaigners say, if money that could flow into a British lottery instead ended up subsidising arts and sport overseas.

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YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOAN SECURED ON IT.

Commons setback for TV in courts bill

By Emma Tucker

A PRIVATE MEMBER'S bill to allow research into the televising of courts and the workings of juries failed to get a second reading yesterday when time for debate ran out.

The government did not oppose the measure, but gave it a cautious response. The bill, supported by the Bar Council, proposed the removal of a ban on photography in courts and the repeal of section 8 of the 1981 Contempt of Court Act, which prohibits the interviewing of jurors.

Senior judges are understood to be opposed to the introduction of such legislation. The sponsor of the bill, Mr Mike Woodcock, Conservative MP for Epsom and Ewell, said most people did not have the time or the will to visit courts.

"It is very important that people have confidence in our judiciary and legal system," he said, adding this could best be

achieved by allowing the public to see judges, lawyers and the police at work and see how courts made their decisions.

Sir Nicholas Lyell, the solicitor general, voiced reservations, saying broadcasters would be under pressure to produce "vivid and immediate" television.

"It would be easy to transgress that fine line between a fair and balanced report and the education and public information aspects and drift over into entertainment if not sensation," said Sir Nicholas.

He said the existence of cameras would add to the often considerable pressure that witnesses were under and may deter them from coming to court.

Sir Nicholas said the confidentiality of proceedings in the jury room was "extremely important", and any research would have to be conducted under strict guidelines.

Royal Opera rejects corporate criticism

By Andrew Jack

THE ROYAL Opera House at Covent Garden yesterday rejected claims by some corporate sponsors that it does not provide value for money.

Mr Ewan Balfour, public affairs manager, said the level of business sponsorship and the high rate of seat occupancy at Covent Garden demonstrated the quality it provided. The Opera House receives more corporate support than any other arts institution.

His comments follow a survey of top executives' attitudes towards Covent Garden, published in Opera Now magazine. Several senior corporate figures expressed disappointment in the facilities, prices, performances and service to sponsors.

"Our comments were in the spirit of constructive criticism, not griping," said Mr Michael Prideaux, director of public affairs for BAT Industries.

"If they felt like this, why would they continue to support us?" said Mr Balfour. He admitted that projected corporate support had fallen £1.5m to £5m for next year but said this was a due to the recession.

Several executives complained that entertainment facilities, cloakrooms and lavatories needed improvement. This house was last modernised in 1901," said Mr Balfour. "We are more than aware of the problems and want to do something about them."

Covent Garden has a £300m expansion programme due to be completed by the end of the decade.

Mr Colin Tweedy, director-general of the Association for British Sponsorship of the Arts said: "It is terribly easy to knock Covent Garden, which is on top of the pedestal, but we have had very few complaints from the business community."

Plan to fine unreasonable building appeals dropped

By John Hunt, Environment Correspondent

THE GOVERNMENT has scrapped its controversial proposal to penalise construction companies and individuals who unreasonably request a public inquiry or hearing into a refusal to grant planning permission.

The scheme in the Planning and Compensation Bill would have meant that an appellant acting in a way the planning inspector decided was unreasonable would be punished by having costs awarded against them.

The intention was to streamline the system and prevent unnecessary delays when a local authority refuses planning permission. But a wide variety of organisations objected that it would undermine the whole procedure and deter people exercising their right to appeal.

Baroness Blatch, junior envi-

ronment minister, said yesterday that the government had reconsidered the matter in the light of opposition and concluded it could unfairly deter some people from asking for their appeals to be heard.

However, a new clause will be put in the bill to prevent people using the appeal procedure to intentionally create delays. Appellants will have costs awarded against them if their behaviour results in the cancellation of a local inquiry once it has been announced. The decision to drop the original clause from the bill was welcomed by Mr Tony Burton, planning officer for the Council for the Protection of Rural England.

"It would have discouraged people from exercising their right to be heard, which is fundamental to the planning system," he said.

FINANCIAL TIMES

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Weekend February 23/February 24 1991

Endgame in the Gulf

IRAQ HAS led the emotions of the world in a cruel dance since it invaded Kuwait on August 2. But the music could stop at high noon today. If President Bush means what he says, and there is no reason to doubt him and his allies, Saddam Hussein must finally face up to reality.

There will be no more prevarication, no more dissimulation, no more appealing to disparate audiences, no more playing one side off against another. Now his options are quite clear. To withdraw from Kuwait, on terms that might allow him a chance of personal and political survival, or to fight a land war to an end in which he will be lucky to achieve either.

Even before Mr Bush delivered his ultimatum yesterday, it had become apparent that Iraq was moving, albeit unwillingly, towards the endgame of this conflict. It still remains possible that Saddam Hussein is inviting martyrdom. A literal reading of his speech on Thursday suggests no more than this. But the later announcement in Moscow of the Iraqi "acceptance" of the Soviet peace terms, insufficient though these were to satisfy Mr Bush and the coalition, demonstrated an instinct for survival that is consistent with everything in his record. So had the qualified acceptance of United Nations Resolution 660 issued a week before.

The question for the allies is straightforward. It is whether or not to settle for peace on terms that would allow Mr Saddam to withdraw from Kuwait with enough honour, credibility and power intact to allow not only his own survival in Iraq, but his capacity to remain a force in the region. Washington, London and the Gulf states, not to mention Israel, would like nothing better than his removal. This would ideally be effected by his own citizens, who have not exactly prospered under his rule. But this cannot be assured. As it stands, the explicit aims of the coalition, enshrined in the 12 UN resolutions, are only the restoration of the independence of Kuwait. They should not be extended, even in a land war, simply because they were the basis on which the coalition was formed and has held together.

Soviet role

Potentially complicating matters further for Mr Bush is the role of the Soviet Union in the negotiating process. The president himself paid enough tribute to Soviet efforts yesterday to demonstrate that he understands the need to keep Moscow on side. But, in engaging in the ultimate brinkman-

ship, it would not help the president to have Moscow assert that the US brought about a land war while the prospect of a negotiated ceasefire was real. So far, it has not.

But the Soviet plan did fall well short of the minimum requirements of the UN resolutions. It is simply not on for all UN resolutions to be rescinded in the course of, or as a result of, an Iraqi withdrawal from Kuwait. Resolution 662, to take just one example, declares the annexation of Kuwait to be invalid. Cancellation of it would put back on the table Iraq's claim to all or part of Kuwait. Nevertheless, Soviet mediation has brought Iraq to the point that it was ready to sue for peace. That is something. But the terms of the Soviet plan also made more likely the survival in power of Saddam Hussein in some consequential form.

Reasonable terms

The coalition's reasonable terms for withdrawal are much tougher. They include leaving Kuwait in such short order as to mean that Iraqi equipment would have to be left behind; a return of allied prisoners of war and interned Kuwaiti civilians; maps of all minefields in Kuwait and the dismantling of whatever has been put in place to sabotage Kuwaiti installations, principally the oil facilities (if Mr Bush is right about the "scorched earth" policy now being inflicted on Kuwait, Iraq has pre-empted compliance with this requirement). They do not include guarantees of safety or immunity for Saddam Hussein himself, as may have been implicit in the Soviet peace initiative. It is very unlikely the coalition could or should substantially modify these terms. To be avoided at all costs is the prospect of Iraq withdrawing from Kuwait with enough firepower to continue the battle from its own territory.

If it comes to a land war, Mr Saddam can assure his removal from power by using chemical and other unconventional weapons. He has done it before. If he does it again, then there can be no doubt that the allies would extend the war aims beyond the limits of the UN resolutions and go for his head. International opinion, otherwise properly nervous about such an explicit extension to include the toppling of the Iraqi president, could not come to his defence.

But the main responsibility lies, as it has always been, with Mr Saddam to stop it coming to this. After so much prevarication, this final ultimatum will perhaps serve to focus his mind.

President George Bush is winning the Gulf war, but when will he declare victory?

The Soviet/Iraqi peace plan, unveiled in the early hours of yesterday morning, posed that question which could not, for the first time in the seven-month crisis, be rejected out of hand - even though the specific conditions are unacceptable to the coalition.

Mr Bush made plain in his robust answer yesterday that the war will end not with a messy compromise allowing Mr Saddam Hussein to save face but with strict adherence to successive United Nations resolutions.

His tough ultimatum to Iraq to begin withdrawal by 5pm GMT today and to complete the pull-out from the whole country within a week also regains the initiative for the US and its allies in defining the terms for ending the war - following nearly a week in which the Soviet Union and Iraq appeared to be setting the agenda. While Mr Bush has publicly thanked Mr Mikhail Gorbachev for his initiative, there has been irritation in Washington at the attempts by Moscow to rescue its former client in Baghdad and rebuild its influence in the Middle East. With US/Soviet relations already strained over arms control and the crackdown in the Baltics, Washington does not want an open split with Moscow on this issue. But yesterday Mr Bush politely, though firmly, pushed the Soviet/Iraqi plan to one side.

The Moscow initiative has, however, forced Mr Bush and his advisers to confront the inherent conflicts between the war aims of the US and its close allies and those of other members of the diverse international coalition ranged against Iraq.

The US dilemma reflects not just its detailed reservations about the terms in the Moscow plan for withdrawal, but also, more fundamentally, the position of a Saddam-led Iraq in a post-war Middle East.

As Democratic Congressman Mr Lee Hamilton, chairman of the House sub-committee on the Middle East, says: "We are poised on the brink of a decisive military victory. You do not want to undercut that with an ambiguous political settlement. That puts the president in a difficult spot."

A plausible case can be made for declaring victory now, provided Iraq leaves Kuwait on acceptable terms. For the first time in the crisis Baghdad has been forced to accept that it will have to withdraw from Kuwait, the main point of the UN resolutions. And despite predictions of early splits, the international coalition has held together. Israel has been kept out of the war and Mr Bush has retained overwhelming domestic political sup-

port for his handling of the crisis. Moreover, in just over five weeks of the air campaign, the US and its allies have severely damaged much of the Iraqi military machine, destroying at least two-fifths of its 4,200 main battle tanks and much of its army in southern Iraq and Kuwait. Iraq's nuclear, biological and chemical programmes have also been set back several years. Yet Iraq has not been so weakened as to destabilise it in relation to its neighbours, notably Syria and Iran.

All this has been achieved with very low US and allied casualties, which would undoubtedly rise sharply if the next military stage of a full-scale ground offensive goes ahead. Consequently, the US has made a central theme of the military campaign the destruction of Iraqi military capacity, and its weapons of mass destruction. This can be justified as a way of forcing Iraq out of Kuwait

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Peter Riddell on the US president's tough response to the Soviet-Iraqi peace proposal

Bush regains the initiative



George Bush made plain yesterday that he will not allow Saddam Hussein any easy options



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The many faces of Saddam

Politics means survival to Iraq's leader, says Roger Matthews

Asix, Saddam's foreign minister, popped up in Moscow with a fresh offer of unconditional withdrawal from Kuwait, hedged around with fewer conditions. As the plan appeared to have the blessing of the Soviet Union and did not include some of Iraq's more extreme earlier demands, the White House was initially cautious in its response.

In his own perverse way, Mr Saddam may still be on the path he set himself, although there is increasing evidence that he underestimated both the extent and impact of allied bombing and may, after Mr Bush's ultimatum yesterday, have misjudged the US president.

Mr Saddam has to portray at least two faces. Within Iraq, on Baghdad Radio, and in the Arab world, he has to be the fearless leader, taunting the infidels into crushing defeat.

To the Soviet Union and parts of the developing world, he appears more conciliatory: the Third World leader bullied by colonialists and seeking a fair compromise to contentious issues while bravely defending the integrity of his nation.

Other politicians, especially in the Middle East, understand the procedures and learn how to time their interpretation according to circumstances. For example, on Thursday, Saddam's speech was seen in the west as belligerent, but in Baghdad as a precursor to a new peace offer.

He has won limited support among Arabs, Moslems and especially those who are, for whatever reason, instinctively anti-American. If, as is also possible, the allied armies punch into Iraqi territory, then he will additionally be able to present his war as one of national salvation and garner further support.

the dictator seeking to identify the weak links in the chain of loyalty.

And that is the dilemma for everyone, including the Iraqi people: trying to understand what it is that Mr Saddam wants and how far he will go to achieve it. If, as is possible, he concluded last August that his elevation to heroic status in the Arab world was to be achieved by drawing the Americans into a confrontation and by inflicting on them politically unacceptable casualties, then he may think he is on schedule.

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while minimising allied casualties.

Mr Bush has at times gone well beyond the UN resolutions - with implicit encouragement from some allies and explicit support from Saddam - in calling for the end of Mr Saddam. The US president has urged the Iraqi military and people to oust Mr Saddam.

US officials have repeatedly said that allied aircraft are not targeting the Iraqi leader, nor is his removal a war aim as such. Rather, the departure of Mr Saddam is a highly desirable outcome which would considerably ease post-war discussions.

Many in Washington, not least among Mr Bush's own advisers, are urging Mr Bush to press on, now that an overwhelming military victory is within grasp. Some commanders have been talking confidently of finishing the land campaign within three weeks. This would permit the destruction of the Republican Guard units along the Iraq/Kuwait border, which is an important political as well as military objective since the Guard is the backbone of Mr Saddam's regime.

The risk of a land war is not only that the international coalition will split but that the US and its military allies will face large casualties as desperate Mr Saddam orders chemical weapons and, possibly, terrorist attacks. The war could turn much nastier for the allies.

Mr Bush yesterday attempted to reconcile these aims by his toughly worded ultimatum. He insisted that any Iraqi withdrawal must be immediate and unconditional in compliance with all 12 UN resolutions. This is to ensure a speedy withdrawal.

But the US also wants to ensure that Iraq faces up to the terms of the UN resolutions, which the Moscow plan would annul. This raises particularly to resolution 674 making Iraq liable for damages to foreigners or property resulting from the invasion. The US will also seek to maintain economic sanctions until the war and war crimes are resolved. Moreover, the US and its allies want an arms embargo against Iraq. The White House said specifically yesterday that if sanctions were lifted Mr Saddam could simply revert to using his oil revenues to rearm.

If Iraq agrees to start withdrawing later today, the US believes its strict terms will ensure that Mr Saddam is humiliated. His power will be curtailed even if he survives - still a second best solution for Israel and many of Iraq's Arab neighbours.

But if Iraq does not meet today's deadline, Mr Saddam faces the explicit threat of an early start to the ground campaign. The Gulf war is approaching its climax.

It may be, however, that the worst error of misunderstanding has been committed by Mr Saddam. He could not have anticipated the huge damage done to Iraq's infrastructure or to his armed forces and, as a result, just how little he would be left to bargain with. It may be inconceivable to Saddam that he could be faced with yesterday's ultimatum which, in his eyes, involves total humiliation.

If that is how Saddam sees it, then the blazing oil facilities of Kuwait last night were but the start of a brutal war of attrition. Politics for Mr Saddam are only about survival. He will use whatever methods are available. But he can still do a deal, even after a land war is under way.

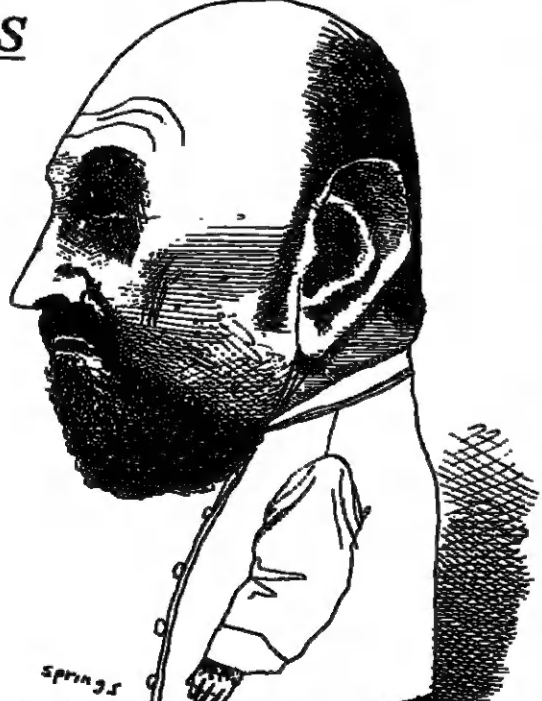
It is also probable that Mr Saddam is far more confident that anyone in the west would believe about his ability to hold on to power. He still has substantial armed forces close to Baghdad and, once the land war starts, the tribe, especially from his home region of Tikrit, will gather more tightly around him. Liberating Iraq will take much longer than freeing Kuwait.

MAN IN THE NEWS

Nico Ladenis

The cook, the client and the Takeover Panel

By Nicholas Lander



obvious skills he has also posed as a lone non-French rival to a circle otherwise dominated by the Roux brothers and their acolytes. But he has also annoyed and upset many, if not more, by refusing to put salt and pepper on the table and by attacking the "gin and tonic brigade". He has paid a high financial price for these "principles", as it was his alienation of many actual and potential customers, which forced the sale of the third restaurant in Shalford, Berks, at a considerable loss.

Arrogance may also be the key to this latest episode. By virtue of his talent Ladenis has not wanted for professional advice - in his early ventures, the solicitor Sir David Napley was an adviser and admirer. So, too, was the shareholder who took Ladenis to the Takeover Panel, and will be taking him to court again next month - Colin Lever is a senior partner in Bacon Woodrow, the UK's largest firm of actuaries. Characteristically, Ladenis chose to ignore outsiders, and with his wife Dinah-Jane

decided to take the company private last June.

Ladenis has managed to put to rest the hypothesis that to be a great chef you have to love your customers or even your shareholders. But his accounts over the past five years have also laid to rest the myth that a high-priced restaurant, even with free-spending customers, is a potential gold mine. In this Ladenis is not unique.

Six months before Ladenis's BES matured, Raymond Blanc, possibly the one chef in England to rival Ladenis for originality, but one blessed with lashings of Gallic charm, faced the same problems at his restaurant, Le Manoir aux Quat Saisons, outside Oxford. Blanc's company never paid a dividend during its first five years; an original investment of £100 in the restaurant had only doubled in value five years later, although the tax allowances boosted this return. A similar amount invested in the all-share index would have made £382.27p.

What both these illustrious

restaurant stories highlight is an undisputed fact of the restaurant life today: that the profits generated are in inverse proportion to the quality of the food served. Ladenis himself has continually lamented his small returns for dishes made individually and from basics, however expensive, while only 300 yards away on Oxford Street, Burger King fuels thousands each day on items much less inspirational.

While the 1980s saw a sharp growth in British demand for better food, the second half of the decade conspired to make profits elusive. Rising rents, inflation, and considerable competition for a shrinking pool of skilled labour added to the fragility of the ingredients involved. It is not surprising that one of the longest success stories of culinary London - Albert and Michel Roux - should have its origins not in the last decade but in the less costly 1970s.

Nor has the BES system proved to be a panacea for restaurant funding. Its biggest fault is that its life-span of five

years is too short - seven years are considered the minimum period needed to establish a restaurant of outstanding quality. The same shortsightedness has also affected a number of wine stockholding companies set up under BES, which invested heavily in the beautiful Bordeaux vintages of 1982-83. After a period of trading within BES regulations, they then tried to unload their stocks to comply with the scheme's five-year deadline. Not surprisingly the market was quickly saturated with wines not made to be drunk until the mid 1990s.

Amid the wrangling that this small case has aroused, two much larger points emerge. The first is that Ladenis and Blanc failed to convert their culinary skills into financial rewards even when the UK was packed with businessmen and tourists from abroad. Many restaurateurs faced the unenviable decision of giving their last table not to local customers but to tourists or businessmen from New York and Tokyo. Now these visitors have disappeared and British restaurateurs have to concentrate on markets they have neglected.

The second, more beneficial, consequence lies in Ladenis's comments after the Takeover Panel's verdict. Fed up with the City, he says he wants to get straight back to the kitchen. Many would argue that this is exactly where he and other top chefs belong. Too many have aped their French counterparts, steeped in a culinary history and tradition which we can only admire but not copy, and sought the extra fame and fortune that advertising can bring, forgetting the very reason that lures diners and their hard-earned cash to their restaurants.

If all our top chefs now return to their stoves, make less frequent appearances on TV, write fewer complicated cookery books and make no more extremely expensive, endorsed, pots of apricot jam - the Takeover Panel will have, probably inadvertently, done a huge service to those who enjoy eating out.

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| Bank of Scotland | 12.00 | 10.00 | 12.00 |
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INDUSTRIALS (Miscel.)—Contd.

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| Delta Gold Zsc.... | 19 | |
| Dominion Mining... | 30 | |
| El Resources | 13 | |
| Dragon Mining .. | 11 | |

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| Wells Co. 20c | 30 | ... |
| London Diamond \$2 | 38 | ... |
| Mass Mining 20c | 11 | ... |
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| Armandy Res NL | 44 | +3 |
| Ba Hill Peto 50c | 72 | -1 |
| Uncon' 1 25c | 62 | -1 |
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| Western Res 20c | 81 | |
| Kanarra Mins. | | |
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Miscellaneous

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| ... Mins. Inc. | 49 | +1 |
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| ... Resources | 15 | |
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| Local Gold 100 | 23 | |
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| Perco Res Inc | 6 | |
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| Perco Group 100 | 251 | |

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Values (NAVs) are shown per share, along with the percentage change from the current price. The current price assumes the company has no warrants outstanding.

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earnings. u Forecast, or estima
over based on previous year's earn
cover in excess [REDACTED] time

minimum tender price. ■ Dividend
 ■ official estimates ■ LTP
 yield ■ pending ■ and/or
 bid based on ■ or ■ of
 ■ yield ■ on pro
 ■ Estimated annual
 based on ■ annual earnings. ■
 ■ of ■ official
 based on prospectus or

NAL & IRISH S
is a selection of Regional and Irish
being quoted in Irish currency

| | |
|---------|-----------------|
| 1908 | Carroll (P. J.) |
| SH | Heaton Hilda |
| | IRG |
| | United Drug |
| 599 1/2 | |
| 597 1/2 | + 1/2 |
| 521 1/2 | |
| 260 | |

| Rank | Organization |
|------|-----------------|
| 1 | RHM |
| 2 | Rank Org. Intl. |
| 3 | Reed Intl. |
| 4 | STC |
| 5 | Sears |
| 6 | Smkl. Breechm. |
| 7 | TI |
| 8 | TSB |
| 9 | Tenn. |

| | | | | |
|---------------|--------|------|----------------------|----|
| Unilever..... | 45 | Prop | Brit Land.... | 28 |
| Vickers..... | 10 1/2 | | Control Secs..... | 28 |
| Wellcome..... | 25 | | Land Securities..... | 28 |

| | |
|----|-------------------|
| 41 | |
| 15 | |
| 68 | 01 |
| 51 | Aviva Petim..... |
| 17 | Brit Petroleum... |
| 27 | Burmah Control. |
| 16 | Conroy Petim..... |
| 35 | Gaelic Res..... |
| 70 | Premier..... |
| 22 | |

11
19
21
26

Lonrho
RTZ

Mil

United Kingdom for a fee of £1,350 shown, subject to the Editor's discretion.

Weekend February 23/February 24 1991

*Deep in the bowels of Britain's warships
labours a hidden cadre that does not
officially exist. Christian Tyler
investigates Her Majesty's
Chinese laundrymen*

The ~~volunteers~~ (the MoD says it ~~has~~ not ~~received~~ the label) have been working as the Navy's volunteer ~~team~~ gang

bridge and the lower class is not as simple as it looks. Behind every laundryman stands the powerful figure of The Contractor. Usually he is a laundryman who has worked his way up; by now he may be a publisher-dealer with business interests in

When a new warship calls off the slipway, then it is the turn of the competitors to roll up their sleeves and show what they are made of. The competition is

was - misread: they thought he making a play for the big time. Arriving with his family in Hong Kong, the new appointee was ~~met~~ with offers: free flights to ~~visit~~ holiday resorts and personal ser-

The prestige of the longest-serving Under-Secretary is illustrated by an episode in Gibraltar, when a retired admiral, Governor-General of the colony. A ship of the line had arrived in port and the Governor-General's limousine and were waiting on the quay. A crowd collected to

Somewhere in Hong Kong there is ~~an~~ ~~to~~ be a printed history of the Unofficials. But it cannot be released. Why not? It is an ~~official~~ document.

PEPS AND PERFORMANCE FROM NEWTON.

| Food & Wine : Edmund Pen | | |
|--------------------------|---------|---------|
| Art | XVB-XVB | Cheese |
| Books | XVI | Cross |
| Bridge | QX | Finance |

ing-Rowell tastes a great M

| | |
|--------------|-----|
| Food & Wine | XIX |
| Gardening | XIX |
| How To Spend | XXI |

would be a commercial disaster for them and they have successfully resisted change. Their first action was "polarisation", which divided intermediaries into independent financial advisers (IFAs) and company salesmen. Even that was

Rapson-Nock: Is Norman Land

| | | |
|----|------------|-------|
| XX | Sport | XX |
| XX | TV & Radio | XX |
| VI | Travel | XX-XX |

Neurosci. Feb.

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| | | | |
|---|----------|---|--------|
| Finance & the Family: How to profit from the electricity privatisation | XI | Travel : Two pages of the best short breaks in Europe | XIV-XV |
| Perspectives: John Lloyd leaps through magazines for New | XIII | Arts: David Murray on the return of José Carreras to Covent Garden | XVIII |
| Food & Wine : Edmund Penning-Rowsell tastes a great Midl wine | XIII | Michael Thompson-Moak Is Norman Linnard a genius? | XX |
| Art: | XIV-XVII | Marking : | XX |
| Crossword : | XVI | Private View : | XXI |
| Finance & the Family : | XIX | Wall Street : | XXII |
| Bridge : | XX | Property : | XXIII |

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MARKETS

LONDON

Footsie dodges the bullets



Sir Timothy Bevan stepping down as chairman of the FTSE 100 Index in a week which was marked by a sharp drop in the index.

CONFIDENCE is a fragile flower, but it made persistent attempts to take hold through the week which ended with London being paralysed by the terrorism.

Most investors were already at their screens before the Victoria railway station bomb brought travel chaos and Monday saw the FT-SE Index surge 21.4 points to finish through the 2,000 barrier for the first time since Saddam Hussein invaded Kuwait last August.

Terrorism aside, there was a shortage of gloomy news from all parts of the British economy. Barclays warned that it would cut about 13,000 jobs over the next few years and British Steel said it would close 1,100 redundant jobs at its Ravenscraig plant in Scotland.

Confirmation that the UK is officially in recession came with figures showing that output dropped by 1.1 per cent in the fourth quarter of last year compared with the same period a year earlier - the first

decline in growth recorded for a decade. January's retail sales fell by 1.4 per cent - the second largest monthly fall for 10 years.

Even more direct signs of financial distress came from the increasing number of bouncing cheques being issued to retailers and the setting up of an arson prevention fund by insurers, who have seen a large increase in fire damage to commercial premises.

The market's response to the news about the economy was the more optimistic the City became. The prospect of a consequent rise in interest rates, which would have been a major concern, was dropped. The 10-year gilt yield fell 13 p.p. to 10.13 per cent.

The City's view is that the prime minister would be forced to lower interest rates again soon - probably before the budget on March 19.

The City's view is partly based on the pound's recent stability and the hope that a

recovery in shares for more than a year, as the chart shows. Continental European investors, led by Dutch institutions, were buying at the start of the week.

UK institutions later took the opportunity to switch from shares which have led the market's advance into other areas, such as property and construction, which have languished under high interest rates.

Increased volume also means more profits for the City. Two-way trading has created opportunities for brokers to make commissions and gives market-makers more manageable risks.

It is said that this improvement in sentiment came in a week which was marked by a sharp drop in the index.

An exception was Royal Dutch/Shell, Anglo-Dutch oil group, whose 18 per cent drop in annual earnings was given a cool reception.

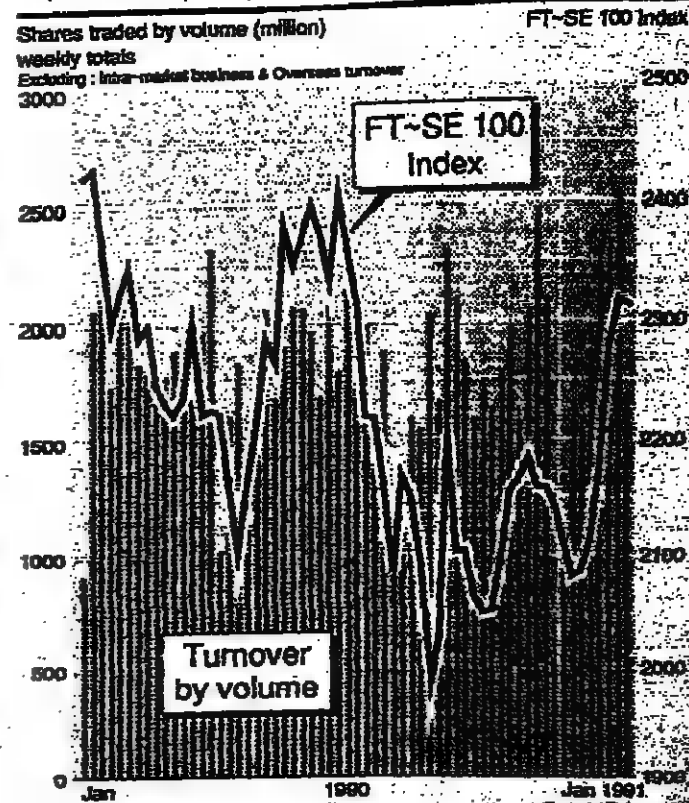
A string of poor results from construction companies continued with large profit falls at Balfour Beatty, Hillier and Ward Holdings. Home Builders' Association said the housing market to recover until the second half of the year at the earliest.

There were, however, signs of companies at the sharp end of recession being prepared to take drastic remedies.

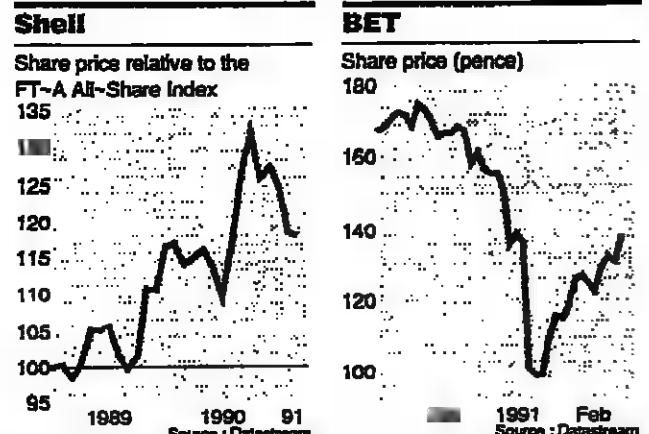
Thomas Cook, the travel agency group owned by Midland Bank, said it would cut the pay of all its 7,500 employees to cope with the slump in business.

BET, the debt-laden business services conglomerate which recently saw its shares crash, said Sir Timothy Bevan would step down as chairman later this year. BET will also sell some or all of Biffa, its waste management arm, and said group redundancies could run into hundreds.

One of the week's most interesting



FINANCE & THE FAMILY: THIS WEEK



Shell fortunes fall further on news of mixed figures

Royal Dutch/Shell, the Anglo-Dutch oil group, fell more on the swings than it gained on the roundabouts this year, showing a 10 per cent drop in earnings for the year. A poor performance by the chemicals division, currency losses and a higher charge for the cost of higher oil prices and an improved performance by the refining division. Shell shares, which have been marked by a recent decline in the oil price, showed a further fall on the figures. Philip Coggan

BET boardroom changes help shares rally

Sharpened knives in the boardroom at BET, the business services company, led to an impressive rally in the company's share price this week. Chairman marked up the price by 7p on Monday as news came of a new chairman. By Thursday night, the share had gained 15p on the week to 137p.

This was not solely a reaction to the replacement of the chairman, Sir Timothy Bevan, by Sir John Biffa, the former managing director and chief executive. Analysts also liked BET's decision to put Biffa, its management subsidiary, on for a year in its first instalment of a wide-ranging shake-up. Biffa said streamlining was built "around the somewhat obvious fact that we have had to cut at the coal face". John Authers

Investment trust optimism

"Start buying". That is the cheerful message of the renowned investment research firm County NatWest in their review of 1991. The team argues that the UK market offers good value and that the US dollar is unduly weak against the pound. There is, according to County, a strong historical correlation between the strength of the investment trust sector and the strength of the dollar. In addition, the team believes that the UK market is undervalued compared to other equities. There may well be a narrowing in the discount to net asset value at which shares in the trusts trade; and trusts should be able to allow their dividends to grow in 1991 at a faster rate than other UK equities.

Furthermore, the County analysts say that trusts are well investing with an eye to defensiveness and yield, which augurs well for the quality of their portfolios; and trusts are trading at a 12 month yield relative to the rest of the market. P.C.

Unit trust gloom

January's unit trust trading figures, taken by unit value, showed a mixed picture, but satisfactory, with £882.7m of units bought by investors and £112.7m cashed-in, leaving net new investment for the month of £129.7m. However, all net new investment was accounted for by various life and pension companies with Prudential Corporation buying £130m of units from Prudential Holborn.

Thus, for the other 150 management groups, net new investment last month was zero or comparatively low levels of activity. So last year's problems of little or no real growth in unit trust investment are continuing with no sign yet of the private investor coming back into the sector. More managers are looking to Norman Lamont to ride to the rescue in his forthcoming budget. P.C.

New funds from Fidelity

Fidelity launched a range of five unit funds to invest in international bonds this week, following a trend which has been set this year by new funds in the sector from Mercury, Barings and Newton. The five funds, in International Bonds, European Bonds, Sterling Bonds, US Dollars and Yen Bonds, offer yields varying from 8.24 per cent to 10.13 per cent.

Fund managers have been attracted to international bonds by widespread sentiment that world interest rates, which depress bond prices, may have peaked. The initial charge in the funds is 1 per cent discount for investments made in March 15. Minimum investment is £1,500. J.A.

Sun Alliance launches PEP

Sun Alliance has launched a unit Personal Equity Plan (PEP), with a minimum investment of £1,000 and a maximum of £5,000. The Equity Trust invests mainly in blue chip UK companies and carries a 6 per cent initial and 1.5 per cent annual charge. Founded in 1970, the Equity Trust has 22nd out of 56 UK Growth funds over the last 10 years, according to Fininvest. P.C.

INSIDE...

BES cash safe as firm fails

John Authers reports on the tangled web of Chancery, the financial services company which went out of business on Monday, and how many investors are being treated easily. How some investors have had nasty surprises for active plan-holders, and a look ahead to company liquidation week.

CGT deadlines looms for savers

Investors beware: April could be the last day for you to make a move which could cut the amount of Capital Gains Tax you are liable to pay. John Authers reports. Plus Kevin Goldstein-Jackson on what he expects out of Norman Lamont's first budget.

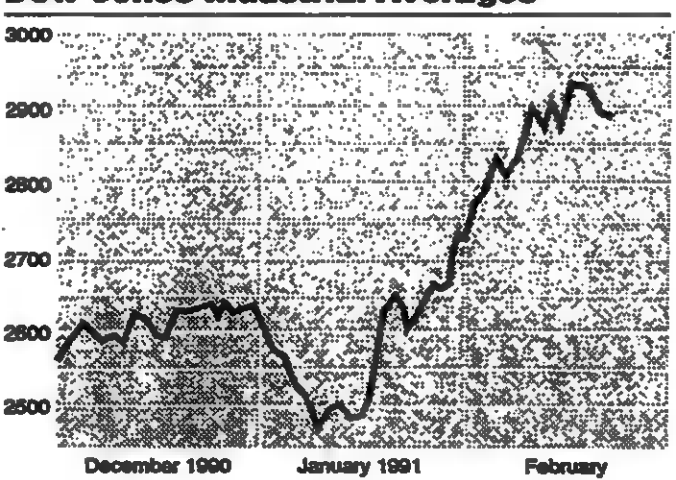
HIGHLIGHTS OF THE WEEK

| | Price | Change | 1990/91 | 1991/92 | Notes |
|-------------------|--------|--------|---------|---------|--------------------------------------|
| FT-SE 100 Index | 2314.3 | +17.4 | 2463.7 | 1981.8 | Selection buying for recovery |
| BET | 139 | +17 | 278 | 17 | New chairman/Biffa in sale |
| BP | 324 | +17.2 | 304 | 10 | Rebidding from Shell |
| CRH | 244 | +18 | 206 | 187 | BZW buy recommendation |
| Century Oil | 112 | +20 | 100 | 75 | Fuchs Petroleum buys stakehold poss. |
| Costain | 204 | +16 | 213 | 148 | Kurweil building contract hopes |
| Crucial Oil | 45 | +15 | 33 | 30 | Joint venture hopes |
| Douglas (RM) | 340 | +35 | 298 | 265 | Kurweil building contract hopes |
| Grand Mark | 705 | -32 | 743 | 514 | Merrill Lynch caution/profit taking |
| Harrold Food | 179 | +17 | 164 | 117 | Analysts visit |
| Hunter Saphir | 65 | -10 | 75 | 32 | Bid talks terminated |
| Home Organ | 731 | +65 | 875 | 514 | Divi. buying/brokers presentations |
| Imperial Chemical | 171 | -6 | 175 | 152 | Rights issue/restructuring |
| Thames Water | 293 | -30 | 323 | 197 | UBS withdraw on value |
| Turkcell | 57 | -67 | 325 | 57 | Loss/dividend uncertain |

WALL STREET

Uncertain Dow drops to earth

Dow Jones Industrial Averages



UNCERTAINTY clouds the political stage. Uncertainty surrounds Wall Street. What are the markets related?

It is a fact that the US stock market came down in earth last week. No sooner had traders returned from the extended President's Week End, than the Dow Jones Industrial Average, which had surged by more than 100 points since hostilities in the Gulf began, finally hit a sustained losing run. The index tumbled for three consecutive days, and on Friday morning was yo-yoing indecisively ahead of the Bush press conference.

But weighing up the course of this reversal - the final three-day losing stretch since early January - is a more subtle matter. War factors undoubtedly played their part. At the beginning of the week, unease about an impending ground attack, and the effect which heavy casualties might have on public sentiment, reined in any lingering optimism.

And by Friday, the delicate political game being played out over the Soviet invasion initiative put virtually all reaction on hold for several hours. In the wake of President Bush's relatively accommodating response, the market moved forward more strongly, but it is still unclear whether the rally will be sustained long term.

The reason is simple. If a patched up solution is found - a general withdrawal, say, that leaves Russia's position intact - no-one is sure how to predict how the market will behave. Logically, there should be budgetary savings if the Soviet initiative ends. In theory, too, the less tangible dampener which the war is supposed to have inflicted on US consumer confidence should evaporate. But having failed to move the full weight of the market's reaction to the prospect of hostilities, pundits are trading carefully this time.

Moreover, many analysts and market players believe that it is still the nudes and

make much impact - Gillette, the giant shaving products group, raised its dividend by 15 per cent, for example. But companies like this remain the exception.

Meanwhile, over in the ailing commercial banking sector two of the major casualties continue their capital raising efforts. Chase Manhattan, the second largest US banker, sold off its institutional asset management business to Union Bank of Switzerland, and said the deal would bring in around \$100m. That nudged Chase's share price higher.

As its larger rival, Citicorp, the news was more dramatic. A third price, who has been quietly amassing a 10 per cent holding in the bank since last year, is to acquire Citicorp convertible stock. If conversion goes ahead, this could take his stake to almost 16 per cent. Citicorp shares, which have clawed their way back from last year's lows, also made modest gains.

But even a flutter of renewed activity in the takeover front failed to produce significant ripples in the market generally. As with most recently bid business, the predatory interest came from outside the market. In this case, the would-be buyer was Groupe Schneider, a French electronic equipment group, and its target, Square D, an Illinois based manufacturer of electrical products. By the end of the week, it looked unlikely that Schneider's \$1.8bn proposal would produce a willing response from Square D, and both sides appeared to be limbering up for a proxy battle. Square D shares, however, sparked into life - rising by over 25 per cent on news of the approach.

Nikki Tait

There is further agreement from Philip Lovegrove of Graham's Rintoul who says "the outlook is much better than it has been for some time."

Jason Streets of the Kleinwort Benson Smaller Companies trust is particularly optimistic. He says there has been "a major shift of sentiment in the past week or two. People are looking at put money in the market and smaller stocks look a bit cheap. I am now coming up to a sector which is now coming into the market. We might still see a kind of sell-off but most small company managers would treat that as an opportunity to buy."

As for the results season, Streets feels "there will be fewer surprises. There are many companies which are already expected to be badly."

So why has the recovery finally happened? David Warnock says "January/February is traditionally a time when smaller companies are producing this year's annual reports."

As Sykes said, the recovery will provide companies with plenty to be said about what they produce this year's annual reports.

SMALLER COMPANIES

Upturn brings wary optimism

SMALLER companies have had

had a good week, as shown by our table of leading indices. The FTSE 100 Index was up 3.3 per cent on February 21 and the FTSE 250 Index was up 3.1 per cent. Both were substantially above those recorded by either the FTSE 100 Index or the FT-A All Share.

So have smaller companies finally turned the corner? Some of the people who are most likely to be in the answer to that question are the managers of small company investment trusts, which have suffered along with the market in the sector.

Their general response is one of guarded optimism. David Warnock of Aberforth Partners says "One's hope is that it is the revival but it may be tempting to call it a turn. We are coming up to a fairly heavy reporting time when there may be some fairly

| Small cap indices | % chg on wk |
|-------------------|-------------|
| CSCI | +3.2 |
| FTSE 250 | +3.1 |

institutional interest as a key factor in the recovery. "The received wisdom is that small companies lag market recoveries but it has not happened this time. There has been some real buying of small company stocks by the institutions."

Moorgate's Simonian says "Small company prices have lagged far behind and takeover activity will mean there is some good value out there."

Brian Tait of Dundee and London Investment Trust says "We have had a three year bear market in small company stocks and it is eventually paid in out. I've got a portfolio of 70 smaller shares and I'm not selling anything at the moment."

But investors should be selective. The trust manager says: "There are a number of small companies which, contrary to myth, have cash, are well financed and have good records. These companies, in which there is quite a number, will see a recovery in price."

'We are coming up to a fairly heavy reporting time, there may be some fairly horrendous results'

There is further agreement from Philip Lovegrove of Graham's Rintoul who says "the outlook is much better than it has been for some time."

Jason Streets of the Kleinwort Benson Smaller Companies trust is particularly optimistic. He says there has been "a major shift of sentiment in the past week or two. People are looking at put money in the market and smaller stocks look a bit cheap. I am now coming up to a sector which is now coming into the market. We might still see a kind of sell-off but most small company managers would treat that as an opportunity to buy."

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Company annual reports: some could do better

SMALL companies rarely get the opportunity to meet the management of the companies they own. They might catch a glimpse of the board of directors at the annual meeting - even exchange a few words with the chairman over wine and canapés - but that is about the extent of personal contact between the smaller owners of companies and the people that run them.

Large shareholders - the anonymous pension funds and unit trusts and so forth who go under the collective name of the institutions - are the subject of much wooing from the corporate sector and in many cases receive face-to-face briefings from management at regular intervals. Smaller shareholders have to make do with the annual report.

The annual report is thus not merely a repository of financial information and a

collection of glossy photographs - it is the prime vehicle for communication between management and the majority of smaller shareholders. It tells them about the business of a company; about the management; and about the financial performance of the company during the year under review.

So what makes a good annual report? I am beginning to get a reasonable idea, having read through 100 of accounts, from both large and small companies, in the past few months as a judge in an annual award for published accounts sponsored jointly by the UK's three institutes of chartered accountants and the International Small Exchange. The winners - BDO as the largest company, Nestor BNA in the small company category - were announced earlier this week.

It helps if a company has

the reader what exactly it is that it does or makes, in bold, easily comprehensible terms, in a prominent place in the report.

Then at the cover of the annual report and are two pictures with brief captions that explain the company's main activities in the domestic and specialist products industries. On the inside cover of the BOC report is a brief, to the point explanation of what the company does (healthcare, industrial and high vacuum technology) and how many people make the products and in which countries.

The usefulness of a set of accounts is greatly enhanced if a summary of the key financial ratios - dividend, earnings, sales, capital expenditure, capital employed and so forth - is included in the report, as well as analysis by business and geographical area - is to be found near the

front of the document. This is "at a glance" understanding of how well the company has performed. If later in the report this is supplemented by charts showing the trends of key ratios over several years - much the better.

The BOC document is unusual in that it carries biographies of all board members, on pages 4 and 5, before the chairman's statement. The chairman's statement is a summary of the company's performance and an account of the challenges of those people entrusted to look after their investments.

The meat of any annual report is found in the detailed financial statements showing the balance sheet, the profit and loss account, a source and application of funds statement, and notes to the accounts. Analysts take pleasure in going through these figures with a fine tooth-comb. Others make

more sense of the details if there is a written explanation of the important financial developments in an earlier part of the report.

In either case, it is helpful if the detailed figures are well presented. It is irritating if the typeface is not big enough to be read without a magnifying glass and annoying if you can't tell at a glance which are this year's figures and which belong to the prior year.

Many companies now invest heavily in the design of their annual reports: that much is obvious from the extreme glossiness of the pictures or the sheer weight of the expensive paper used in the documents.

But as Richard Sykes QC, chairman of the judges, observed as the prizes were presented on Wednesday, an annual report should be more than a mere marketing document. Design should not be

indulged in for its own sake - it should be used as an unpretentious aid to getting the message across.

Sykes made another point: the annual report should be readable. If things were badly laid out, he said, it should be as if the company had engaged in a series of complex transactions - buying and selling companies - the financial implications of which were being vined out to be spelt out, in simple terms and in a prominent place in the report. Many companies spend lavishly on design but their reports are unreadable and thus useless because of this financial vire.

As Sykes said, the recovery will provide companies with plenty to be said about what they produce this year's annual reports.

David Waller

Philip Coggan

Now published in book form.

FINANCE & THE FAMILY

BUDGET

91

A PRIVATE investor, I very much hope that the 1991 budget will provide much more encouragement to individuals to make their own investment choices and invest directly, rather than via a financial institution.

For example, why do Personal Equity Plans need managers? Why not simply state that people can invest directly in shares of their own choice up to £7,500 per year, with all gains being tax-free?

All that will be required for an investor to list on his or her tax form each year the shares included in his or her own PEP. Company reports will be received direct, no management fee will be incurred, and an investor will have a greater sense of ownership of part of the company.

In the year's budget, it was announced that stamp duty on share transactions would be abolished when Taurus (the Stock Exchange's paperless share transfer system) was introduced.

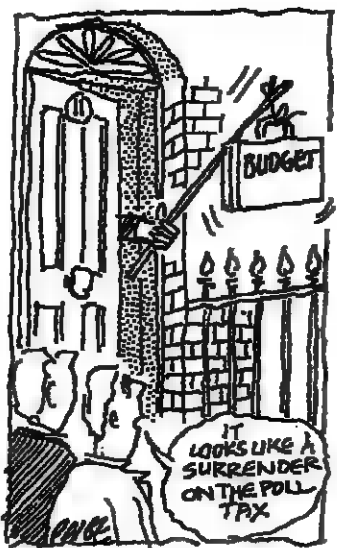
As the implementation of Taurus system have been delayed yet again, and as it is of no benefit to institutional investors than private investors, I hope that Norman Lamont, the chancellor, will announce the immediate abolition of stamp duty - not only on share transactions but also

Wanted: more choice for the private investor

on house purchases. With the prime minister's interest in the possibility of a national lottery, I hope that the chancellor will not overlook the existing national lottery - premium bonds - which is a considerable improvement. The national interest rate on the prize fund is derisory and needs to be increased by another 1 or 2 per cent. The maximum individual holding of £10,000 worth of bonds is to be increased to £15,000.

Unemployment appears to be rising. If a company employs a gardener, the cost of the employee can be offset against the company's profits and losses. Why should the same benefits not be given to individuals? Let people deduct from their income the cost of employing gardeners, nannies, or home-helps.

Recently, my wife and I were "knocked out" for a week by a virus. We had to employ a nurse to look after her. I had no questions asked. The "black economy" with people claiming to be working, or understating their earnings, would be reduced, thus providing greater tax revenue.



Such tax incentives for part-time gardeners, nannies, care assistants and so on would not only help reduce unemployment. It would also encourage people to undertake further education and a better educated workforce ought to be in reviving Britain's economy. At least some of the news-agent's headlines give me the correct change.

Most people, when asked for their hopes, only put forward lower wages. They would like to see tax reductions. But there are two areas where I would like to see large tax increases.

The first is on people in the Channel Islands and elsewhere overseas who invest in British shares, make profits, and yet pay no capital gains tax. This is unfair. The gains are effectively made in Britain - the shares are in British-based companies - so appropriate tax ought to be paid.

The second increase in taxation would be on inherited wealth. A number of companies have been run by the idiot offspring of the founders

who have inherited large shareholdings to the detriment of other shareholders and the economy as a whole. Inherited wealth is increasing rapidly and is socially divisive. It cannot be justified by any current party political doctrine.

Having founded a number of companies myself - including one with a full stock-market quotation - I do not believe that most people start companies in order to hand them on to their children: they do it to make money for themselves or because they want to be independent or enjoy running a business.

How better it would be, if an entrepreneur's offspring, instead of joining the "family firm" - started his or her own company and perhaps eventually made a proper takeover bid for the "family" firm. It would provide greater competition and a greater incentive to work and fully exploit talents.

This is not to suggest that on death the taxman takes everything: a spouse should be allowed to inherit everything tax-free and children should be adequately provided for until they are 21.

Taxing income is painful: money has to be paid in taxes every week or month out of hard-earned income. At least with heavy death duties the payer is no longer around to suffer the pain of taxation.

This article is the fourth in our pre-budget series.

Kevin Goldstein-Jackson

A check on cheques

Q&A

BRIEFCASE

His legal responsibility can be accepted by the Financial Times for the accuracy of the answers given in this column. All inquiries will be answered by post as soon as possible.

original cost of all assets held (or deemed to have been held) on March 31, 1982. The general recommendation is that such an election should be made unless there is a clear disadvantage in doing so. In other words, if in doubt make the election. If you have forgotten the outline of the rules for section 96(5) elections, which appeared in the FT in 1983, you should ask your tax office for the free introductory booklet to capital gains tax - CGT14. Please see the story below left.

Caught by a contract

WHEN SIGNING the supplier's order form for the low rate lease of a fax machine I also signed a contract - which the supplier representative put in front of me - to pay a finance company a quarterly sum in respect of the lease.

I cancelled the order and the supplier accepted the cancellation and did not deliver the machine. However, I forgot to cancel my agreement with the finance company which has been pressing me for payment, redoubling its efforts since the supplier went bankrupt. In spite of my oversight in not cancelling this contract with the finance company, am I liable to pay rent on a machine which was never delivered, as in my possession. The finance company thinks so and has taken legal action.

Unfortunately the finance contract with the finance company is one which that company is entitled to enforce independently of the cancellation of the order. It is just possible that a careful perusal of the terms of the contract may enable you to claim that payment is not due where no supply took place, but unless that can be spelt out of the contract

you are bound to make the payments contracted for.

Caring for aunt

MY COUSIN and I have an aunt of 97 who is living in her own home not bedridden, but immobile. We share the daily provision of meals. A night care nurse (paid for by aunt) takes over from 8pm until 8am.

Even though we are over 70, we manage. Should my aunt become incontinent and require nursing we would like her assets to her advantage. Can a Power of Attorney be appointed to administer her affairs? My aunt though not senile, is unable to understand the situation. The executor of her will are my cousin and a solicitor.

Your aunt can give power of attorney giving someone eg. you or your cousin (or both) the power to act in conducting her affairs. However, in view of her age it seems best to use an Enduring Power of Attorney which enables the donee(s) of the power to act as her attorney in the event that she becomes unable to conduct her own affairs eg. through senility. Such a power must be registered at the Court of Protection on the occurrence of the event which makes the power exercisable.

No tax on transit

IN JULY 1988 I informed the tax office, by filling in the necessary forms, that I was to become non-resident. That was in July 1988 and, to date, I have received no "exempt certificate". I travel often and sometimes it would be convenient to change aircraft at Heathrow and/or Gatwick airports, but so far I have avoided doing so because I am worried it may cause problems with the British tax office, especially if I have to change airports or go through passport control.

Provided your journey can be documented to show that you were only in transit at the English airport, there should be no problem caused by your changing aeroplanes here.

CGT deadline looms for savers

APRIL 5 could be the deadline for you to make a choice which could cut the amount of Capital Gains Tax (CGT) you are liable to pay.

This deadline has been set as the result of a number of amendments to the legislation which governs the tax. It is all unnecessarily complicated but, unfortunately, demands attention.

You can start to ignore the history of any investment you made before March 31, 1982 for the purposes of CGT. Taxable gains made on these investments can be calculated on the assumption you started the investment on this date.

This could be worthwhile, if, as in most cases, the investment had made a gain by March 1982. The rule of thumb, according to Ralph News, of Touche Ross, is: "If in doubt, make the election".

However, the election is running out if you want to make the change. The deadline

of April 5 this year applies to you if you made any disposals of pre-March 31 investments (a term which includes building society shares, but not life or life assurance policies) during the financial year of 1988. Do not bother to act now.

This will apply to many savers and investors. If your portfolio remained dormant throughout the tax year in April 1988, you have another year to decide on the election.

The procedure is something of a gamble, according to News, because an election is irrevocable and "all or nothing". You are not allowed to ignore an investment, and be taxed more favourably than

rest. However, the election is generally worth doing on grounds of simplicity alone. All your

disposals from before March 31 can safely be thrown into the dustbin, if you make the election. In News' words: "You are required by law to show the full story to the Revenue. If you make the election you can start the story at March 31, 1982 and make life a great deal easier. It's worth it just for simplicity."

Other points you should bear in mind when making the election are: "The black economy" with people claiming to be working, or understating their earnings, would be reduced, thus providing greater tax revenue.

Look at the figures carefully. If you had any investments in agricultural land which dropped in value before 1982, it is better to make the election. Details of the investments which have been affected may need to be forwarded later, according to the Inland Revenue, but this will be enough to ensure that your gains are only taxed from 1982. The Inland Revenue's pamphlet CGT14 provides more detail on the issue.

Beware of making the election if you bought a house before 1982, and then let it to tenants. Its value as a let property will be considerably less than at acquisition, and you could give yourself a much higher taxable gain by electing to start from a time when it was low.

Look at the figures carefully. If you had any investments in agricultural land which dropped in value before 1982, it is better to make the election. Details of the investments which have been affected may need to be forwarded later, according to the Inland Revenue, but this will be enough to ensure that your gains are only taxed from 1982. The Inland Revenue's pamphlet CGT14 provides more detail on the issue.

John Authors

March 31 and April 5, 1982. You will be deemed to have held them on March 31. Many shares showed a gain during that week, and thus it is best in these circumstances not to make the election.

If you have property, unquoted shares or other assets valued when deciding to make the election, hold on to the value's receipt, as it will eventually be deductible against CGT purposes.

It is refreshingly simple to make the election itself. All you need do is write a letter to your Tax Inspector, stating your decision. Details of the investments which have been affected may need to be forwarded later, according to the Inland Revenue, but this will be enough to ensure that your gains are only taxed from 1982. The Inland Revenue's pamphlet CGT14 provides more detail on the issue.

John Authors

No escape from CGT

I HAVE very large potential Capital Gains Tax liabilities on ordinary shares. The annual exemption of £1,000 only reduces the problem, independent taxation is no help as my wife has her own liabilities. There is, I know, no tax on CGT but I had had an unattractive option. Are there any CGT avoidance schemes which are suitable where large sums are involved?

No days of off-the-peg avoidance schemes are really over. Incidentally, perhaps I should remind you that April 5, 1981 is probably the deadline for an election (under section 96(5) of the Finance Act 1982) to ignore the

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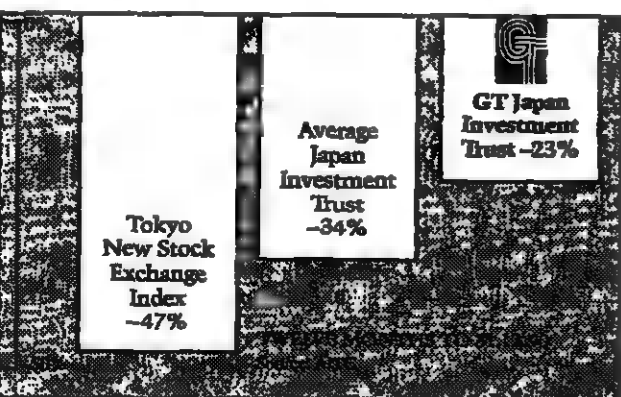
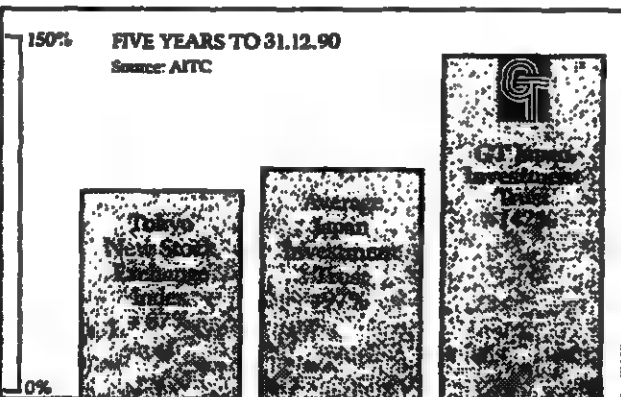
The lower graph makes the same comparison, but over the one-year period to 31st December 1990.

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HOW TO SPEND IT

Keeping it chic and cheerful

Lucia van der Post on a fashionable fusion, naïf sheep, designer toothbrushes and more

IF YOU are a single shop that is as stylish as Harvey Nichols and a chain of shops as wide-spread and middle-of-the-road as Principles, how do you each enjoy the benefits of the unique qualities of the other?

You would probably like what Principles is doing, which is to try to sell the stylishness of one in a much larger market and to inject a gloss into the middle-market image of the other. It has hit on a clever way of doing this which, as with all the things in life, seems to benefit not just Harvey Nichols but Principles too.

The Harvey Nichols look, in the shape of a tightly-edited, classic, classy collection of clothes bearing the Harvey Nichols Collection label has just gone into Principles stores all over the UK as well as into Harvey Nichols in London's Knightsbridge and into Debenhams stores in Aberdeen, Chester, Croydon, Guildford, Hull, Manchester, Nottingham, Preston, Sheffield, Southampton.

The look is definitely Harvey Nichols than Principles. The prices are Principles, but the quality is Harvey Nichols. In say, in the right way round. This does NOT mean, however, that they are cheap. What they are is excellent value for money.

The clothes - as you can see from the pictures on the right - have that easy, confident look that American designers do so well at. Silky jackets, wrap-over simple tops (à la Donna Karan), classic but unstuffy shirts, relaxed skirts - in shades of coffee, chocolate, cream and soft pink - for the lady who is in now but with classic and chic coming in in the spring and later strong richly-coloured lines arriving in high summer. Prices start at about £25 for a viscose T-shirt while a silk shawl collar jacket is £125 and classic silk or linen trousers are at £100.

The intention is that the Harvey Nichols Collection label is here to stay with new collections going into the Principles and Debenhams shops several times a year. It is a huge fashion statement but all have the kind of easy classic quality that could make them the wardrobe of many a working woman's wardrobe.

Somerset Country Furniture, about which I have written before, isn't all it seems. It is for all the world as if genuinely old pieces of country furniture have been rescued from some loft and then gently painted and restored to make them acceptable in the country. In fact, the Oram, Somerset Country Furniture, ran out of old pieces to restore so now his workshops make new pieces that look as if they have just been rescued.

All the shapes are based on the simple, functional pieces made by village craftsmen all over England in the 17th, 18th and 19th centuries and since I last wrote the range has been greatly expanded. It now includes many extra small pieces: shelves, chest of drawers, - of the sort that every house needs, as well as a small collection of "fake" primitive pictures like the sheep pictured right - it may not be Stubbs, but it's a hell of a lot cheaper.

The mood, as you can see, is strictly rural, naïf, unsophisticated - real country-style. The primitive pictures start at £20. For a full-colour brochure showing everything it does, write to Somerset Country Furniture, The Old Chapel, Church Lane, Chichester, West Sussex. Tel: 01243 811111.

Silk Road Marketing is a small mail-order operation that sells a number of charming things at excellent prices. You could start by ringing the warehouse on 021-327-1172 and asking for the illustrated leaflet. On it you will find things like a white embroidered silk scarf in pure cotton, 100% king-size, 248 single, a pure white embroidered cotton nightdress, Victorian-style, for just £20; a collection of sophisticated metallic brown/black ceramic beads for £10; a luscious chiffon scarf embroidered with gold on black or dots of silver on white, 4 ft square, for £9.50.

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Currently, it also has a sale of small, very thick cotton blankets - £25 for two, £15 for one. There are two designs: either pastels measuring two metres by one metre, or multi-coloured, measuring 1.33 metres by just under one metre. Prices are the same whichever you order. The address is 1111 Road, Birmingham B6 7SL.



winds and tundras that are our current theme. What you need is some protection for the skin. Most cosmetic companies make such products these days but Somerset To Go has a special range of collection that, like all its wares, is based on natural ingredients and has been tested in places as harsh as the windblown and snow-blown as the North West. Mount Kilimanjaro and the Andes are the centres.

The Below Zero collection contains rain water but is based on the notion that there should be a water-resistant layer over the skin to protect it from the worst the elements can do. There is a lip salve called Frostbite (over or under or instead of lipstick) at £2.25. Then there is Alacalufa Blum Protection (Alacalufa being the name of some South American Indians living way down south close to Antarctica) which creates a good, non-sticky barrier against the bitterest of wind.

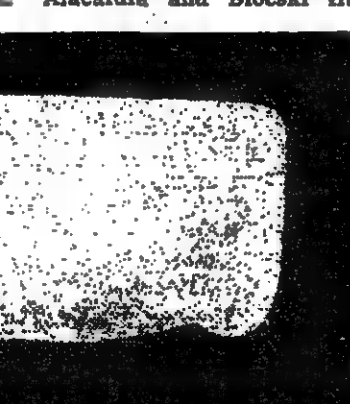
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and now (it says) lighting the chill of the British Rail carriage. It costs £3.75 for 10 gm and £2.75 for 5 gm - that's a lot of light in a handy carrying stick, and packaging is as much these days.

For more there is also Blooski, a total new bloc, for £2.75, but perhaps the best of all is the snow-loving brigade is the Polar Bandit - a chic electric lightbulb which but let-sized packs of Frostbite, Alacalufa and Blooski fit



neatly so you can touch up your protection with the slopes. With a touch of Go, 29 High Street, Poole, Dorset BH15 1AB or ring Freestone 01204 311111.

Dr. Thea's focused on "cost-conscious chic" in early January around the country have been writing to tell of some of their "finds". A big find for Dr. Thea was a collection of British-made and hand-crafted in the Westgate, Bradford (tel: 01474 777777) which seems like a home-grown version of that Boston store, Thea's Basement.

Here the Bean brothers were an amazing fashion sale of weeks of the year - many big brand names are there, from American and Windward to Viyella, Country Casuals, Colana, Serghaus and Butte Knit, all at 50 per cent off. The collection of menswear, too, is in recessionary times must, and all over the country people are learning to do things that once they wouldn't have dreamed of to understand, let alone tackled on their own. Schools to teaching everything from how to marble-finish your walls to how to transform old pine pieces into a thing of beauty are springing up everywhere.

KLC Interior Design Training, 5 Blythe Mews, Blythe Road, London, W14 (tel: 0181 873 3333) has found its curtain-making course is much in demand (anybody who has recently paid for professionally-made curtains will know exactly why) but it has one day courses in decorative

point finishing. An introductory day includes basics and all the fashionable sponging, staining, dragging and marbling techniques. After that you can take your pick from stencilling, decoupage or "ancient wall" (the last two run by Kevin McCloud, that master of the art of magic effects). Each day costs £75 plus VAT and includes lunch.

Lucinda de la Rue spent a day with KLC's four-week certification course (£1,150 plus VAT) and this is what she found.

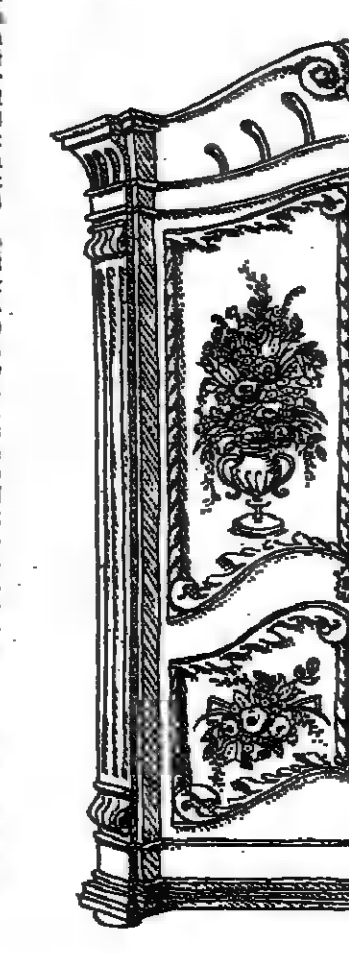
"The courses are run in a very light, friendly way and are very practical. I am seeking an interior design qualification in order to improve my career prospects. I was impressed by the intensive training, the short breaks and the professionalism of the lecturers. This was NOT a Kensington Wives get-together."

There were about 12 on the course I was on but it can vary up to 22. The full course includes interior design and colour consultancy, planning and principles of design, lighting, working with subcontractors, buying antiques and period furniture, while perhaps the most useful lecture of all is the final term presentation of the finishing touches.

"In the short time I was

from projects as large as whole buildings complete from roof to the base of flowers in something as small as a lemon squeezer (which needless to say is quite unlike any other seen before or since).

The only time I met him he was, by a long chalk, both the scruffiest and the most beguiling of my fellow panelists on the television design quiz but he was brandishing a strange-looking implement which was hot off the production line and served as what I think is known as a "conversation point". It was used to a television design quiz but he was brandishing a strange-looking implement which was hot off the production line and served as what I think is known as a "conversation point".



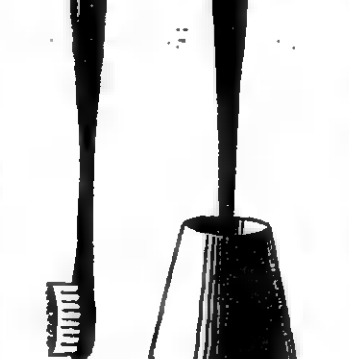
there I managed to pick up a few helpful hints - to water my rush matting and not to hang my pictures like ducks flying up the wall. The rest of the students had heard a lot more besides and were confident that they had reached a high standard."

If you have old or broken pieces of furniture which could do with a facelift Belinda Ballantine has just started a school in Malmesbury which show you exactly how. There is a single introductory day (£70 plus VAT) or a three day basic course (£180 plus VAT) which takes you through preparation, design and quick ways of achieving a good finish and on the third day there is design work. See what Belinda's nifty way with a paintbrush did for the old armchair at the bottom of the page.

The prices include all materials and samples but if you have your own beloved battered piece at home then you'd have to recycle and turn into a thing of beauty then in a five-day workshop (£300 plus VAT) to which you can bring your own piece and transform it under skilled tuition. Brochure and more details from Belinda Ballantine, Apsley House, 6-3 High Street, Malmesbury, Wiltshire SN16 9 AG. Tel: 0665-822047.

If you are interested in serious restoration - things like china, silk or watercolours, frames, tapestries or lacquer conservation - then the Restoration Courses, The Green Flat, Harwood Road, London SW9 4PZ.

Nothing is as large as the small to be made the shape of Philippe Starck's enveloping table. The so-called enfant terrible of the French design world has turned his attention



to the world of hats. Ever since I tried on grandpa's homburg I've wanted to wear something rakish on my head. But the pipes, hats tend to make the cheeks that much more cherubic and young men can look quite silly with things on their heads.

However, as my forehead is in deep recession and my face is beginning to resemble the wrinkles of William Auld, I feel that I am at last doing a hat with out inviting hoots of derision from colleagues, lecturers and students.

Fortunately my mid-life crisis has coincided with a resurgence in hat wearing hats. Oxford Street might look like a scene from a 1940s gangster movie but there are definitely more hats on men's heads than there were in the '70s and '80s. Nobody seems to know why. Paul Keers, author of *A Gentleman's Wardrobe*, thinks it could have something to do with men wearing shorter hair and the return to classic styles in menswear.

Older pundits point to popular films which have featured heroes in hats - James Jones, Dick Tracy, Henry Miller and June. And a public relations push from Anthony Marangos, who recently bought the famous New York hat store, Herbert Johnson, has encouraged the media to be a little more hat aware.

It might be more acceptable for men under 50 to wear the hat, people like me who have been hats for generations find it truly daunting to buy their first hat. I've seen models that, in the uninitiated, look identical. Styles and names differ too. Some, such as the trilby or homburg, are distinctive but others are so subtle that they might as well be invisible. Bond is a hat and a German trilby in *Goodbye, Mr. Goodbye*.

With this in mind, here is my beginner's guide to buying your first hat.

MATERIALS

Basically the formal hat shapes, such as the top and bowler, hats are made from felt (most men's hats), straw (boaters and some panamas), tweed (proper Ecuadorean panamas) and tweed (fishing and flat caps). There are two types of hat and fur. Wool is the most common and cheaper but it is not waterproof. Fur-felt is made from animal hair which, I am assured, the rabbits are shaved and not skinned. These are different qualities and weights, but a good hat will repel the rain and keep its shape. It can also be shaped or "snapped" into the style you require.

The more formal shapes, such as the trilby, will also be lined inside. Cheaper hats will be polyester and vinyl lined, while the more expensive ones will have satin and silk linings with plastic to prevent hair oils discolouring the crown while others are lined with cloth. Neither of these will prevent your head from sweating, but neither will they be comfortable.

These now come in both metric and imperial. It is best to get a hat that measures your head before trying on different



James Forgueon

How to attain the peak of perfection

WHEN PRIME ministers meet to discuss as young as policeman it is time to buy a hat.

Take a trilby or similar style. Snap the brim in your hand and look by, for example, holding the front with both hands between forefinger and thumb. Let the hat swing on its own weight, which will bend the brim. Then, holding the dents in the crown, place the hat at about a 45-degree slope to your forehead, before pivoting it to your head. This will scoop

sizes. The trial and error method is especially useful if you are unsure of how the hat should sit. A good hat shop, with experienced assistants, is a better bet.

HOW TO PUT IT ON

Take a trilby or similar style. Snap the brim in your hand and look by, for example, holding the front with both hands between forefinger and thumb. Let the hat swing on its own weight, which will bend the brim. Then, holding the dents in the crown, place the hat at about a 45-degree slope to your forehead, before pivoting it to your head. This will scoop

away any hair you might be lucky enough to have hanging on your forehead. Push the hat quite low and a little more forward than you might think. If it is broadish brim you should be able to see the crown hang without really looking up.

WHAT SHOULD YOU FEEL LIKE?

Quite silly, if this is your first hat. A hat on your head. And if the brim is broad, you might think others will find you suspiciously flamboyant. This is an understandable reaction, but the feeling should be repressed, for a few minutes, at least. Look at Indiana Jones? Was Warren Beatty limp-wristed as Dick Tracy? Men do wear hats. You just have to find the one that suits you best. It is an advice.

WHERE TO BUY

For most London haters, such as Bates in Jermyn Street, Herbert Johnson, have the knowledge to provide the professional help if you are without the help of a professional. Look for a hat specialist, such as The Hat Shop, which carries a range of classic and modern styles. Dunn's is dependable for inexpensive straw, cloth and felt.

ADDRESSES

Charles Bates, Jermyn Street, London SW1.

Herbert Johnson, 20 Jermyn Street, London W1. Mail order catalogue available.

The Hat Shop, 63 Neal Street, London WC2 and 9, Gess Court, St. Christopher's Place, London, W1.

The George Arthur Dunn shop has 150 shops throughout the world. Its future ownership is currently the subject of some speculation.

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Carley & Clemence, 23, Grosvenor Street-LONDON. Tel. 071-416 4160 Fax 071-416 4161

MOTURING/GARDENING

Cycle of danger grows worse

Stuart Marshall asks whether motorists are a menace to two-wheeled road users

DO MOTORISTS give cyclists an **enormous** break? Not according to Dr A P White, of Solihull. He is a former amateur racing cyclist of 30 years ago who in middle age returned to the saddle in pursuit of pleasure.

Dr White was surprised to see road safety for cyclists mentioned in a motoring column (this page, two weeks ago) that he wrote to draw my attention to "the really alarming state of affairs" they faced on British roads.

Conditions were much worse for cyclists than they were in 1961 though, overall, roads are now safer. "I now wear a crash helmet - something I just did not feel necessary 30 years ago," he says.

Dr White, who uses a car for business, a bicycle only for recreation, accuses motorists of "a widespread negative attitude". This ranges from lack of consideration for cyclists or awareness of their needs to "downright hostility and aggression".

"There seemed, he said, to be a feeling that cyclists were 'not real road users'. This made pedestrians step out in front of them and motorists manoeuvre around them 'in a way they wouldn't dream of doing in the

vicinity of any other road user."

Some drivers gave the impression of being unaware of the cyclist's presence until a dangerous situation arose. Others thought cyclists were quasi-pedestrians "whose needs could be disregarded... because they were never going to need any of the driver's valuable road space."

Specifically, Dr White complained of:

- A minority of motorists crowding cyclists when overtaking them out of either ignorance or hostility.
- Vehicles turning left immediately after having overtaken pedal cyclists, forcing them to brake heavily. "It did not happen to me in several hundred thousand miles of car driving," lucky Dr White - "I wish I could be the same, why should I be such a problem for cyclists?" he asked.
- Drivers pulling out of side roads in front of cyclists - motorcyclists, too - either because they had not seen them or had underestimated their speed.
- Vehicles sweeping into roundabouts and barging into the path of cyclists already in the roundabout, giving them right of way in the process.

Although Dr White loves cycling, he would now hesitate to recommend

it as a sport or pastime - "It is just too dangerous," he said he was beginning to wonder how much longer he could go on before giving it up, this time for good.

When young, I cycled everywhere; I had no option. The last time I pedalled a bike on the highway was so long ago I have forgotten but I know what Dr White means. An uncouth and uncaring minority of drivers has always felt much the same about people riding horses.

In the mid-1980s I thought nothing of riding for a couple of miles along an A road to reach open exercise country. But by the mid-90s it had become unpleasantly chancy to be only feet away from a torrent of cars, lorries and motor-cycles.

Today, I would not care to risk life and limb (the horse's and mine) by hacking along a busy main road. It is not just that there are too many cars on the road. So many of their drivers (most of whom have been on the back of a horse) are thoughtless and ill-mannered - yes, aggressive, too - toward equestrians. Of course, speed also comes into it.

Traffic may have slowed of late in congested inner city streets but it is still too fast in the country. It is faster, I think, in car and tyre technology have made it easy to maintain speeds on rural roads, including those full of blind bends, that would have been unthinkable 20 years ago.

This must partly account for the cavalier treatment of cyclists that Dr White complains of. But, without wishing to start a pedal vs. petrol engine war, aren't cyclists to blame for at least a proportion of the accidents they are involved in?

Especially in Central London, where the way some of them ride makes the blood alternately boil and freeze. They go from kerbside to centre of road to make right turns without a backward glance or hand signal. If they are aware of the danger to themselves and others, they do not show it. They wobble past cars on their nearside, or in between two lanes of slow-moving traffic when it suits them.

All motorists have them. They ignore traffic lights, pedestrian crossings and halt signs as if they did not apply to cyclists at all. At night, bikes with safely bright front and rear lights and riders with reflective markings are in a small minority. Cyclists ride on pavements as if they had as much right to be there as pedestrians.

And what of the hordes of children

let loose on main roads on "chopper" bikes in school holidays? Do their parents care about their safety or survival?

And cycles, along with mopeds, horses and other moving vehicles, are already banned from motorways. Perhaps the ban should be extended, for the riders' own safety, to dual carriageways and other roads which regularly carry heavy, fast moving traffic unless there are cycle tracks alongside?

But are reserved cycle tracks the answer? Next time you drive down the Great West Road from Chiswick toward Heathrow, spare a glance at the narrow strips in the grass verge between pavement and roadway. They date from 1938, when they were Britain's first cycle tracks.

A good idea? I would have thought so. But many cyclists refused to use them because, they said, they had every right to be on the road, not confined to a track.

Have attitudes changed since then - are cycle tracks in places like Milton Keynes the answer to the pedal pusher's prayer? Should we have reserved cycle lanes that allow cyclists to ride against the traffic, as in New York? I feel a million cyclists are waiting to tell me.



Two-tyre tricks

WIDE, ultra low profile tyres may aquaplane in very heavy rain, but narrow tyres will not. That is why the JDD system replaces one fat tyre with two thin ones mounted side by side. Surface water that cannot be drained away fast enough by a wide tyre's tread pattern to prevent aquaplaning simply flows through the massive channel between the two JDD tyres.

As an extra benefit, if one of the thin tyres goes down, the car can continue its journey for hundreds of kilometres almost as though nothing had happened. All the driver has to do is increase the inflation pressure of the surviving tyre so it can cope with the extra load.

The JDD twin-wheel system (pictured above on a BMW)

first saw light of day nearly 10 years ago. Many car makers have tried them and several thousand have been sold world-wide. They have been included in police forces in Switzerland - the inventor, Jerry Juhan, lives in Geneva - and Australia. But no car manufacturer has been persuaded to factory fit the JDD twin tyres, which were made first by Goodyear and then by Britain's Avon.

Japan's Yokohama Tyre, in co-operation with Juhan, is hoping to change all that. It has developed its own version of the JDD system called "Anno-2000" for high-performance cars like Honda's NSX, which will be available to buyers fitted with them.

Weather beater

LAST WEEK, when I thought the snow had finished, we had another nine inches (23 cm) of it overnight. Next morning, I could not get a car up my long but gently sloping drive and cursed my lack of foresight for not having arranged to have a four-wheel drive on road test at the time.

Something like a Mazda 616 2.2i GLX 4WD Estate would have been ideal. This good looking and versatile newcomer (pictured right) just gone on sale at £16,499, which includes power steering, cruise control, anti-lock brakes, power operated windows and outside mirrors, alloy wheels and central locking.

At that price it compares well with full-time, four-wheel driven rivals such as the Audi 100 Avant quattro (£22,500) and Ford Sierra 3.0i Ghia 4x4 (£17,840) though the Subaru 2.2i GLX 4WD estate at £15,499 remains a bargain.

The transmission will keep the 616 estate in the snow and mud and safely stable on wet roads is based on a system used in the very successful Mazda 626 Turbo 4x4 rally car. For many people who burden themselves with a heavy, thirsty and far from comfortable on-off road vehicle for the sake of the macho image and four-wheel drive, the Mazda could be a good buy.



The prickly puzzle of perfect pruning

You need to know where to snip to make your rose bushes bloom. Arthur Hellyer offers hints



City of London, a blush-pink bedding rose that requires pruning

ROSE PRUNING puzzles many people but is really a straightforward matter once the way roses look after themselves.

They thrive on young growth and, except for a few foundation roses which may live for years and attain a considerable girth, they allow their branches to die as they grow and so make way for young stems. The big branches decay and eventually disappear but it is a slow business which gardeners wish to eliminate both for reasons of appearance and hygiene.

The main reason for pruning is to cut the older stems long before they get to the stage of dying, but to do it in such a way that there is a continuous and healthy supply of new growth to take its place. This will involve regular feeding, for roses are hungry plants. It may mean spraying, particularly against mildew and black spot and probably also against greenflies, which are all likely to attack many of the hybrid roses, which are the kinds most planted in gardens.

Most wild roses, also known as species roses, flower only once a year and, unless their leaves are followed by ornamental hips, the best time to prune them is soon after flowering as this gives maximum time for new stems to fill the empty spaces that same year, with more to follow in spring and summer.

This rule also applies to once-flowering hybrid roses including those that are known as ramblers and which are particularly suitable for training on pergolas and screens. These ramblers often make most of their new growth from quite low down and the older stems that have flowered can be cut right out.

This system is easy to understand but more difficult to carry out than all those long stems can be covered in thorns. This is a beautiful coppery-pink Albrightine is a particularly bad example, a rose which is a real approach with thorn-proof gloves and jacket and some protection for the ears.

Other climbing roses, many of which are repeat flowering, can be pruned in autumn or in

February and March at the same time as the bush roses. Again the aim is to cut out the older stems and reveal the best of the new growth. It is likely to come quite high up the old stems so clearly the lower part must be cut out.

Some can go if there is sufficient new growth lower down to fill available space. That is a matter for judgment. You should consider each plant critically and not any stems that look unhealthy and are best removed.

Most of the popular bush and bedding roses are

man-made hybrids which flower in flushes, maybe two or three throughout the summer and early autumn, and the number of blooms produced depends in part on cutting out the flower stems as the flowers fade.

I do not always follow this last advice as many bedding roses have attractive hips which are cut out in the catalogues but which I am glad to have because they give colour well into the winter. It is a matter of personal choice on which there can be no hard and fast rule.

What can be said is that on the whole these long-flowering varieties need more pruning than those that flower only once a year because they tend to wear themselves out and must have their strength concentrated on a reduced number of stems. It is in judging how many of these stems should be encouraged that the greatest skill is required.

A very vigorous rose such as the Queen Elizabeth, can be allowed to make quite a lot of new growth and, if restricted too much, may perform badly. By contrast, naturally weak

roses need to be cut back more severely, so concentrating sap on a smaller number of new stems.

This kind of knowledge only comes from experience, or for beginners perhaps from the advice of more knowledgeable friends or neighbours.

What can be said is that all the very free flowering bush roses, which are known as Hybrid Tea, Cluster, Floribunda (Floribunda) should have all dead, diseased and very thin stems cut right out and the rest shortened by anything from a third for the sturdiest to two thirds for those of medium vigour.

Some bushes that have fallen into very poor condition can sometimes be rejuvenated by cutting them down to within six to eight inches of the soil and then feeding and watering them well during spring and summer.

Expert rose growers always insist on making just above a growth bud from which the new shoot will grow, so leaving no stub of stem with nothing to draw sap through it. This is true, but it is not as easy to

carry out as it sounds. When in doubt I cut where I think is correct but I look over the roses a few weeks later and, if I have made a mistake, I cut that little bit more off just above the shoot that has actually grown.

Stems coming straight from the roots, or from the back crown where stems join roots, should be viewed with suspicion as they may be harmful suckers. Most garden varieties of rose are still propagated by joining a single growth bud to the roots of a wild rose or rootstock by a method of grafting known as budding. When the union is complete all the stems of the bush are cut out so that all sap from the roots must pass through that single garden rose bud which will ensure that all subsequent growth is of the right type.

Growth coming straight from the roots and thus bypassing that magical bud will only produce growth and flowers of the rootstock type. Usually the distinction is fairly obvious but this is a matter in which I will return another day.

THE country-lure presumption that the decline of Welsh fish-living rivers is much to forestry has recently been underwritten by science.

The news of this long-awaited breakthrough is unwelcome to the Forestry Commission. The Commission has fought a rearguard action to protect traditional planting by prolonging the picking holes in the research linking freshwaters and afforestation. The post-war conifer planting policy in the uplands looks in hindsight remarkably bloodheaded.

Howard Roberts has been

secretary of the Welsh Salmon and Trout Angling Association for over 40 years, longer than the life of a short-rotation fir-tree. A devotee of the small headwater streams in the Cambrian hills, he recalls the time you could go out and catch trout easily and pleasantly. The Marteg was last "Thursday afternoon river" and it is forested almost

throughout its catchment.

The great majority of fish survive only until the fry stage, then die off as they develop. Parr, killed by acidified flushed water in stormy rainfall. It seems a sad loss of amenity and sport to leisure pursuits which are becoming increasingly popular.

Acidification of freshwater by rain has been a hot potato in the environmental debate for a long time. Most environmental scientists are complex, and conclusive proof is hard to assemble and requires much work. The work in Wales, which the Forestry Commission is completing, and research by the Forestry Commission in conjunction with the Department of the Environment, shows the resolution of several wrong directions.

First, it was thought that acidification was caused by rain falling through the soil and leaching the acid into the water. This was prior to the discovery that forestry was not as a principal agent but as a catalyst of acid rain pollution.

Conifers play several roles in injuring freshwater life but the main role is, in Roberts' graphic phrase, "like a sweeping-brush combing the air".

Acid rain is caused by compounds of sulphur and nitrate in the air. The dense foliage of conifers trap or scavenge, the deposition in clouds mist and it into the soil as it

with low lime and calcium geology; those areas least capable of withstanding the ecological attack.

When checked, the trees were examined in the third and fourth years the aluminium content was found to be high. This was because of their high density and because they are particularly efficient vectors of acid rain because of their high density and because they are particularly efficient vectors of acid rain because of their high density and because they are particularly efficient vectors of acid rain because of their high density.

Michael Wigan looks at the link between trees and pollution

Conifers are particularly efficient vectors of acid rain because of their high density and because they are particularly efficient vectors of acid rain because of their high density and because they are particularly efficient vectors of acid rain because of their high density.

woodland on low ground. We are in the area of Community Forests - a vast area is planned to be planted between Glasgow and Edinburgh - amenity, wildlife and recreation woodlands. The production is no longer the leading objective.

Thirty years ago the Commission appointed its first landscape consultant - although hill walkers might be forgiven for failing to understand what he did in those early decades. Now they have archaeology consultants and new ideas are being put forward. Environmental considerations are taken into account before permission to plant is granted. A Commission official said recently that "the production of the uplands is, in a sense, completed".

It is a bitter irony that the upland programme of planting, the biggest irreversible landscape change in Britain this century, in drawing in a plan of just the time when the greatest changes in the landscape have been given up the chance to plan more environmentally-educated planting.

Dr Alister Donald of the NFA in Wales says river-systems should be protected for the pollution load they can withstand as a preliminary step. Then, by calculating wind speeds, cloud frequency, and types of airborne pollution Dr Donald says he can determine the inputs. Further research could work out individual tree species' efficiency in transferring acidification into the soil. Forestry policy, for the time, could be guided by this. A balanced ecological approach is now, or shortly will be, possible. For much of Britain it has come too late.

Conifer forests fail acid test

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across down fir-needles and tree trunks. The effect of this is to increase aluminium in the water below, which kills or retards young fish by furring their gill-covers.

Conifers are particularly efficient vectors of acid rain because of their high density and because they are particularly efficient vectors of acid rain because of their high density.

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TRAVEL - EUROPEAN BREAKS

A city of secret sensualists

WHAT IF I asked myself late one rainy night, that makes Lisbon different from other European capitals? Sitting in a café far from the city's port, I was watching the marketmen, lorry drivers, fishwives who unload fresh produce for the early morning Mercado da Ribeira. Filling the room with their heavy outdoor clothing and rough manners, they seemed to have few interests that and hungry working people the world over would not share.

Yet when one of their company stamped in with a bunch of red carnations found dropped in a flower-market gutter, there was sudden emotion and admiration all around. Thick, work-hardened fingers twisted delicate long stems. Noses and bristly moustaches thrust into blooms. Colour was compared and argued over. When these hardened marketmen finally trooped back into the cold night for more heaving and hauling, it was with the flowers still clutched in their hands.

The answer to my question was before me. Lisbon has a quality that makes it wonderfully different and an intriguing place for a short break - it is a city of secret sensualists.

A Mediterranean-style appreciation for the sensual things of life might not, at first, seem part of Lisbon's nature. The citizens of the Portuguese capital are not given the spontaneous emotional outbursts of the Romans or the flamboyant behaviour of the Madrilenos. In some ways Lisboans are more like the British - they are conservative in style and dress, have the

discipline to queue patiently at bank and bus stop, and look on boasting and overstatement as bad form. Wholly un-Mediterranean in climate, Lisbon has a range of un-Mediterranean qualities, restraint and introversion.

In turn, the physical make-up of the city is formal and ordered - as ordered as any city built on nearly a dozen hills can be. The central part of town is made up of wide processional avenues, vast ceremonial squares, geometrically laid gardens and a commercial district of neatly bisecting

Nicholas Woodworth finds sadness and song in evocative Lisbon

streets. Everywhere are the rather stiff monuments hon-ouring an imperial age when Portuguese colonies on three continents made the city one of the world's richest.

But first impressions in Lisbon are deceiving. Behind the controlled facade of every Lisbon - market or magistrate - lies an emotional *vivante*. Here is a connoisseur with a practised eye for the fine detail, a palate that appreciates the subtleties of good food and wine, an attitude in the expressive range and sensitivity of song. And these qualities are reflected in the city itself. The massive architecture of empire lies a natural and spontaneous beauty, a marvellously chaotic accretion of 2,000 years of daily life.

All this can be easily discovered in this compact and most walkable

of cities. Leaving behind the car - Lisbon driving and parking is at any rate impossible - walk up into the hills overlooking the Tagus River and into Lisbon's most appealing quarter.

Here in the twisting, cobbled alleys of Alfama, much is unchanged since medieval times - is built up of strong and simple elements: whitewashed plaster, red terracotta roofs, the ornate pattern of the ordinary working people living here is quite un-ordinary and has formed these elements.

Building facades are built with ironwork, wrought ironwork, window sills and patios are topped with flowers. Whole three-story walls are covered with glazed tiles of various patterns. Even Alfama's laundry hangs overhead in a way that is decorative and charming.

In summer much of Alfama's life is lived outdoors - by day neighbours gather round sidewalk grills to eat freshly cooked *sardines* and drink wine. By night, when bright moonlight reflecting off whitewashed walls and the shadows of the hilltop cast long, dark, evocative shadows, the *fado*.

It is *fado* that lies at the very heart of, and perhaps explains, Lisbon's secret and emotional nature. Translated as "fate" or "destiny", *fado* is the haunting cry of a city that has been subjected to invasion, destruction and subjugation. It is occupied by the *fado* for years, cowed by an Inquisition, ravaged by the plague, subjected to



Living history: Lisboans have memories of a rich imperial age when their empire spanned three continents

Spanish rule and, in 1755, almost wholly destroyed by an earthquake.

The longing, the lament, the regret that Lisbon's history has produced lies deep in the character. Many visitors find a strange, unexpected sadness in Lisbon. *fado* is one of the rare instances when that sadness is expressed. Whether its provenance, it is a part of the life of this city that must not be missed.

However, Lisbon's *fado* is by no means all sad. In the Bairro Alto, another hilltop district

overlooking the water, you can find only more *fado* but a great variety of restaurants, outdoor bars.

Unsung and unhonoured, Portuguese cooking is the great undiscovered cuisine of Europe, and the Bairro Alto is the place to run it to ground. Fragrant fish, grilled prawns, pungent Arabic coriander and fine aged ports and *portos* are only some of the things whose odours waft through the streets at night. For the best of traditional

Portuguese cooking I would recommend Pap'acorda in the Bairro Alto, or Sals Excelencia, an intimate restaurant run by the hospitable Francisco Queiroz in the Lapa district.

If you want your fish wriggling fresh, take the half-hour train ride along the Tagus estuary to Cascais on the way and try the Beiramar or Santa Pedra. Cascais is no longer just a sleepy little fishing village; now it has the unmistakable air of a prosperous

southern seaside resort. But its colourful fishing boats still ride in on the surf every day to deliver to quayside markets and restaurants some of the most delicious seafood anywhere.

Nicholas Woodworth's trip was arranged by the Portuguese National Tourist Office (London: tel: 071-493-3873). He flew with Portuguese Airlines (tel: 071-833-1111) and stayed at Lisbon's Ritz (tel: 071-833-1111).

EASTERN EUROPE

Capital choice for travellers

Breaks (tel: 0293-560777) offer two-night stays in Prague from £220. The sovereign price is typical of what is offered in other cities by other companies.

Independent travellers will find it difficult to make a worthwhile saving on tour prices unless they are prepared for rough-and-ready accommodation. Airline tickets are available in Prague from £110 (Trailfinders: 071-837-5400); once there, the state room services - Cedok and Prago - can find you cheap hotels. However, you may find yourself wasting hours trying to secure a room for the night.

The scarcity of rooms has deterred some operators, but as British Airways Leisure Traveller, from including Prague in this year's short break programme, Ian Greenleaf, general manager of BA

Short Breaks (0293-615353), says: "There's a tremendous amount of availability in Prague and it means some operators cannot guarantee the quality of the hotels they offer."

Greenleaf, who runs his programme as the most comprehensive on the market, says Moscow went through a similar problem a few years ago. However, the Union has not followed the

example by easing the requirements and allowing visitors to choose where they stay. Tour groups in Moscow or Leningrad are allocated accommodation by Intourist, the state holiday company, which charges higher-than-average prices for less-than-average hotels.

The cheapest two-night stay in Moscow costs almost £100 more than a similar break in Prague or Budapest. Budget travellers should perhaps consider a twin-centre tour of Moscow and Leningrad, which is value for money. One of the best deals is offered by Thomson Citybreaks (071-357-6534), which sells a week-long break taking in both cities

from £280. Independent travellers following the same itinerary can also save on hotel costs by sleeping on the Moscow-Leningrad overnight train.

The advantages of the Soviet Union - delays, rigorous customs laws and poor hotels - are persuading some travellers to visit cities with a more western aspect, such as Budapest. Two nights in the Hungarian capital from around £230.

Few tour companies include Poland in their itineraries. There are, however, short breaks to Warsaw available from Intourist (071-357-6534), which sells a four-night tour taking in Cracow.

WAR in the Gulf has led to a downturn in bookings for short breaks across Europe and tour operators say the former east bloc countries have escaped the slump, writes Tim Burt. However, the cities of the Warsaw Pact are no busier than destinations around the eastern Mediterranean, and more British holiday companies are including cities such as Budapest and Prague in their short break programmes.

There are now package tours available in Europe than ever before, and restrictions for independent holidaymakers have been relaxed. British travellers can

longer require visas in Hungary or Czechoslovakia. Germany, of course, no longer exists. Bulgaria has waived the visa requirement for visitors on package tours. But visas are still necessary in Poland, Romania, Albania and the Soviet Union.

Czechoslovakia is leading the way to attract western visitors. The media spotlight which turned Prague into a year-round reawakened interest in the capital. Until the late 1980s Prague was a popular destination for short breaks. Now the brochures proclaim the city of 100 spires as a magnet for music, art and history lovers. Sovereign Cities and Special

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BOOKS

Portrait of an action painter

WHAT DO you see in your mind's eye, when I intone the following names - Pollock, Rothko, Kline, De Kooning...? In one perhaps an image of paint dripping riotously all over the canvas; in another, great thick solitary bars of colour floating majestically in space like chords at the beginning of a symphony. Now let's try again - *Who's Who?* Guston, Philip Guston. This time I've seen a blunk, and the fault, dear Brutus, lies in ourselves. There is a big Guston retrospective exhibition in London at the Whitechapel Gallery in 1991 and there have been other opportunities to see his paintings in Britain since then. All of them, admittedly, but some.

Guston was a friend and colleague of the artists mentioned above. He was just as important a stylistic innovator as any of them. As one time he was known as an abstract expressionist and as an action painter, though he was never entirely happy about those labels. His daughter, Musa Mayer, in his memoir of him, *Night Studio*, reveals some of the heady atmosphere, the nocturnal alcoholic discourse in the Cedar Street Tavern, Woodstock - the town became an artists' colony long before it became a festival venue - when the rationale of those styles was being hammered out.

There is a fine example of Guston's painting in the Museum of Modern Art, New York. It is called "The Clock" and dates from 1955. The work is a rich mosaic of orange, red, green and black; broken fragments of pigment blown together in a way which - without the aid of the painting's title - one could not connect with any kind of timepiece. Or, as the MOMA guide puts it: "In this picture his loaded and slow-moving brushstrokes suspend and visibly prolong the painting gesture, creating strongly felt abstract metaphors for doubt and resolution, disquiet and calm, through sensitive elaboration of form."

If Guston had continued his career visibly to prolong his slowly moving brushstrokes, it might be much better known in the UK than it is. And his investment-raising in the US might have been much higher than it was. But he didn't. He was bored with that way of painting, or rather, put less crudely, it no longer responded to what he was about to do. After his retrospective exhibition at the Guggenheim Museum in 1988, Guston went through a prolonged crisis during which he totally deconstructed his style. Then, in the beginning of the

1970s, Guston began to show paintings that seemed to derive from the journalistic strip-cartoon technique he had mastered when he was a penniless art-student migrating from the Jewish quarter of Montreal - his family name was Goldstein - in the New York of the Depression. In the period of New Deal which followed Guston was fortunate, along with other artists who later achieved eminence, to find a job as a painter with WPA (Works Progress Administration). The assignments consisted of devising communal paintings for public buildings with titles like "Work in American Way". Guston and his fellow-artists followed in the steps of the great Mexican mural painters. He and his friend, the painter Mark Rothko, actually worked on murals in Mexico.

Guston's final style had elements in it of both the cartoon-frames and the large-scale murals. It consisted of boldly drawn images referring to things "out there" in the real

world, but in an ironic Popeye-like, black-and-white manner. Chief among these images were the big head with two eyes for eyeholes of the Klu Klux Klansman; other continually recurring images are clenched male fists, gun hands, cigar stubs alight with smoke curling; coffee-mugs; metal joints and rivets; dial; homal boots. The paintings which showed these objects all contained a hidden scenario of menace and violence which the spectator spells out for himself from his own anxieties.

When they were first shown the New York art world was very dismissive of them, including Mark Rothko who wrote his reviews of Guston from his recently published collection. "As political statements they [Guston's paintings] are as simple-minded as the history they denounce," he wrote in 1970. The only exception was Hans Rosenberg in *The New Yorker* who saw the point of Guston's new manner immediately. He praised the ambience of one painting to Dashiell Hammett's *Red Harvest*. "Put simply," said Rosenberg in an article called "Liberation from Detachment", "Action painting is not about anything, while Guston's present paintings are. The 'beastly' is not that, this leading Abstract Impressionist has introduced narration and social comment but that he has done his utmost to make the problems of painting seem secondary."

It was not until the retro-



A gargantuan exhibition called "Mexico, Splendours of Thirty Centuries" has been the highlight of the winter season at New York's Metropolitan Museum, bringing together 100 paintings, sculptures and objects ranging from the Pre-Columbian period to the 19th century. To coincide with the exhibition the Museum has published a sumptuous volume, with every exhibit in colour and with a substantial foreword by Octavio Paz. Seen here is "Sailor at Lunch" by Diego Rivera.

spective exhibition in San Francisco in 1980, the year of the painter's death, that universal acceptance finally came. In this book we see Guston's work from his public face as a man of apparent talent, and his private face as a man driven willy-nilly into unfastidiousness by his own integrity. *Night Studio* also tells the private face vividly and candidly, as if by his only child: a life that is full of torment, with other people, monumentally inconsiderate within the family, insomnia, in-drawn. Later, in adult life Mr Mayer broke away from the domination of his father and became the mother of two boys and, profes-

sionally, a practitioner of disturbed people. Mrs Mayer gives us a tender portrait of her mother, then called Musa and a mother painter in her youth. She had no choice from the start whose career had to take top priority. The utter demandingness of the genius in their midst is what comes across most emphatically. Five days on end Guston would not be seen in the family home in Woodstock except at occasional meals. He would be wrestling with his angel in his own separate studio. Then he would disappear away from the domination of his father and become the mother of two boys and, profes-

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Fiction

Of spies, Nazis and morgue humour

AMOS OZ has long enjoyed a reputation as Israel's most distinguished novelist, a man who hobnobs with prime ministers and is generally considered to have his finger on the pulse of the nation. When he speaks, Israelis listen, in the belief that 10,000 of them were not bought the first day of publication in Hebrew. Now here it is in English, ably translated by the author's wife, Dana Oz. We can see for ourselves what the book is all about.

Yoel Mowat is the hero, a senior Mossad agent, destined for higher things. His life has been turned upside down by the death of his wife in a sudden and totally avoidable accident. He then continues with his job, he opts for early retirement instead, moving house and setting up afresh in a new attempt to try and pull himself together. He has

mother, mother-in-law and teenage daughter with him, gathering them around him in the desert. He has a long life over his life, remembering his wife as she was, remembering other women too, brooding over what might have been, trying to make sense of it all. And that, more or less, is it. Not a lot happens in the novel. Mowat invites Yoel back for his last job - he declines. The person who takes his place is killed - but the book is not about Mossad, not about anything much except the bleak philosophising of a man who has seen it all and cannot see it any more. It is an interior novel, written with the customary attention to detail, but a little dull sometimes. The concerned perhaps with inner meaning at the expense of pace and plot. Yoel is undoubtedly enjoy it; those who like a lot of action in a book might do better to try something else.

Still on a Jewish theme, Irene Dische's first novel *Secrets* has already won an astonishing 10,000 copies in Germany - astonishing not least because the author is not even German at all, but an American of Austrian-Jewish descent. She has evidently hit a nerve though, with an often mildly humorous story of the late Herr Hitler, alive and well and living in America in the 1930s, under the alias Carl Bauer. At least, his granddaughter thinks he is. His wife, a Catholic American, he is a passing acquaintance in the Führer and can't stand his Jewish son-in-law. His granddaughter works in the New York city morgue, where she has an affair with a colleague and shows Carl's granddaughter what a human heart looks like. Irene Dische's own mother performed

autopsies at the morgue, so we must presume the author knows what she's talking about. It's a whimsical story, a slightly weird blend of Nazism, Catholic abstraction and morgue humour, if there is such a thing. The plot does not stand up to scrutiny, but is not meant to. The author's sense of the absurd is engaging enough, if a little eccentric. Quite why the novel has gone down so well in Germany however must remain a mystery, although books with Hitler on the cover usually sell pretty well - in other countries, if not always in his own. Gert Hofmann's *Before the Rainy Season*, translated from the German by Edna McCown, tells the story of an elderly woman named Uncle, who lives in the Fatherland and has been living in the Bolivian rain forest ever since. He is visited there in 1988 by a young man, perhaps his nephew, who has come to tell him it is okay to return home now. So far so predictable, you might think, except that Uncle has retired to Bolivia for no reason at all that is immediately apparent. There are rumours about him, certainly, but they are not substantiated, and nothing in the rain forest is what it seems. The action of the novel takes place during the 100 days preceding the funeral of Uncle's murdered brother, whose body is lying in state in the hacienda. In this and other respects it reads a bit like *Chronicle of a Death Foretold*, except that Mowat's prose is nothing like as spare as Marquez's.

TO KNOW A WOMAN by Amos Oz
Corgi/Windus £13.99, 281 pages

PIOUS SECRETS by Irene Dische
Bloomsbury £14.99, 147 pages

BEFORE THE RAINY SEASON by Gert Hofmann
Berkley/Warburg £13.99, 161 pages

LIFE OF A DRUM by Carlo Gebler
Fiction House £13.99, 173 pages

What is born a drum is beaten till death, according to the protagonist of Carlo Gebler's *Life of a Drum*, and it is as lived by Janowski, née Baring, is certainly nothing to write home about. She is drifting along in London, scratching a living as a clerk typist, when she is offered £2,000 to marry a Pole she has never met and so provide him with British citizenship. She refuses the money, but agrees to the marriage anyway and sets up home with him, even though he is a small-time crook and petty thief. All goes well until he dies of a brain haemorrhage, leaving her so heavily in debt that she can't even afford to cremate him. She borrows the money from a former boyfriend, finds a new man, eventually achieves happiness of a sort - but one that the author's point that life as a drum is never going to be a matter of laughs.

Nicholas Best

Unjust deserts

J.D.F. Jones is left adrift in the Middle East

THE TIMING could hardly have been better. Here is our most distinguished scholar of the Middle East, now in the full wisdom of his years, and never could we have been more ready to attend his insights since we are (almost) all of us so ignorant of Arab history. Dr Hourani writes of "the Arabic-speaking parts of the Islamic world" - a careful definition which of course excludes Persia. (Has the deep and ancient mutual antipathy between Iran and the Arabs been adequately conveyed on our television screens in recent weeks?) It is a volume, he modestly protests, intended for students beginning to study the subject and "general readers [that is] us who wish to learn something about it." Not, it is clear, a book for the scholar, the specialist, the Middle East correspondent, nor even, I trust, Kate Adlin.

Since the professor has descended from the ivory tower it is permissible to ask whether or not his new book will help us in our efforts to understand what on earth is going on in the Middle East. This approach to a work of mature scholarship is of course unfair, and I apologise to Dr Hourani for playing the fool. No-one admires his *The Emergence of the Modern Middle East* more than I. But in casting pebbles at this panoramic

survey - from Muhammad to Saddam in 450 pages! - I am querying not so much whether his historical analysis is profound and balanced as whether (a wholly different matter) his "general reader" is going to be engaged and satisfied.

It's a not unusual problem: the span has been set too wide, with the result that the detail on any particular section turns out to be inadequate to the reader's needs. For example, the 1914-18 war gets a mere page or two; the Sykes-Picot Agreement has just one reference in the index, the Baghdad Pact has two; there are a couple of pages on the Suez crisis and a single index reference to Michel Aflaq, founder of the Ba'ath Party (some of us generalists would have liked to remind ourselves about Aflaq). That is the fault of Dr Hourani. He has evidently been required to write a book in 100 pages, which he gives judicious summaries of the political, social and economic histories of the respective periods. Much of this, I must in honesty record, is as soporific as a bottle of Muscat.

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ARTS

Fashion shots to turn heads

William Packer admires two photography exhibitions at the V&A and the Barbican

THERE IS nothing like a fashion photograph in an old magazine for giving one pause, and an exhibition devoted to them is irresistible. Appearing now filling the 20th Century Gallery of the Victoria & Albert Museum (until April 28) is just such a treat, but an equivocal and teasing treat for all that. It marks the publication of what is literally the book of the exhibition, by Martin Harrison (Jonathan Cape: 312 pp; £35 until May 31, £40 thereafter), which carries every image shown and more besides. Subtitle of book and show alike is *Fashion Photography since 1945*, the declared intention to offer the definitive study of the subject.

The book is indeed beautiful and the show well chosen to represent its full scope, but together they raise rather more questions than they answer. The problems are of attitudes and assumptions, vaunted claims and over-seriousness, all born perhaps of the excited, febrile world that supplies the subject-matter and the fashion world's own insecurities. Certainly the fashion world takes itself as seriously as its memory is short.

Martin Harrison's premise is that fashion photography as a peculiar discipline has been transformed utterly since the Second World War. Plus ça change... it would be nearer the truth to say that it has

simply taken full advantage of the wide opportunities afforded in that time through technical developments in printing, and the growth of mass publishing. Fashion photographers have been pointing their cameras at pretty girls ever since the first fashion model swung her hips, pursed her lips and turned her head just so. If we see more of the naughty bits than once we did in respectable family magazines, it is the magazines, and the family, that have changed, not the photographers. It is one thing to take a convenient starting point, quite another to claim it as the beginning of history.

An introductory nod is made to some pre-war stars, such as Baron de Meyer, Hoyningen-Huene and Edward Steichen, but there is nothing of the under-rated Toni Frissell, and nothing of Man Ray and his radical experiments. It so happens that a touring exhibition of Man Ray's work as a fashion photographer in the 1930s and 40s, principally for Harpers Bazaar, is now at the Barbican (until April 21; sponsored by The Chase Manhattan Corporation and Hearst Magazines). Though spread too thinly through the upper galleries, Man Ray's surrealist and constructivist engagement in his work is made very plain, and his influence manifest in the later work of such as Avedon, Blumenfeld and Penn.

As for the British contribution, it is one of fashion photography's enduring myths that at a moment some time between the Lady Chatterley Trial and the Beatles' first LP, it suffered a dramatic sea-change and renewal. Young David Bailey met Jean Shrimpton, first among her equals in a clutch, if that is the collective noun we want, of beautiful young models, and suddenly fashion was out of the hot-house and into the street.

In truth it had all been done long before, but then the whole point of a myth is that it should not be new. Harrison seems to accept it, saying that "before 1960 there were only two (British) fashion photographers of any significance, Cecil Beaton and Norman Parkinson", but he does then discuss the 1950s, mentioning Clifford Coffin and John French, Bill Brandt and Anthony Armstrong-Jones, if not Henry Clarke. If those young photographers and their beautiful girls of the early 1960s should have seemed to be bringing in a new and golden age, might it not have been that the perspectives of youth are necessarily low, narrow and short?

Fashion photography is a technical discipline serving its particular commercial market through the publicity afforded by the fashion magazines. Who leads and who is led is a moot point, for such publicity is in the editor's gift, while photographer, fashion designer and editor alike are constantly test-



One of Man Ray's portraits at the exhibition devoted to him at the Barbican gallery

ing themselves and public taste and tolerance at large to see just how much they all can stand.

But none of this has any bearing on the quality of the photographs as photographs.

Harrison tells of an editor agonising over a brilliant image of a dreadful frock, and no doubt all three parties were delighted at her final decision to publish.

Good fashion photographers are simply good photographers, and it is not by chance that so many of the best of them come to it marked by wider experience. The images they create are here to be savoured for what they are.

Czech music after the revolution

THE PRAGUE production of Martinu's opera *The Miracle of Our Lady* offers some insight into the current health of Czechoslovakia's music institutions. On the surface, all is well. The programming of a work with a religious theme would simply not have been possible months ago, because of the political censorship exercised by the Communists. The performance is reasonably well attended. Seat prices have not yet begun to reflect the rocketing inflation elsewhere. Despite the trimming of state funds for culture, the National Theatre can still offer more than ten opera performances each week at its two main venues, and the axe has not yet fallen on any other major state-funded ensemble.

Beneath the surface, however, the picture is gloomy. The renewal promised by the revolution has not yet filtered through to working conditions or artistic horizons. The country is paying the price for years of artistic stagnation. Talent, ideas and leadership are in short supply. The Martinu performance said it all. Many in the cast looked and sounded as if retirement was long overdue, and the principal soprano sang recently flat in the second half. The rhythmic precision so essential to Martinu's orchestral and choral writing was missing. The staging reduced the characters to caricature and wallowed in filmy cardboard decor and primitive choreography.

The performance did scant justice to a work that aims to celebrate the virtues of Czech culture. But this was not just a bad night. The National Theatre finds itself with a huge payroll, very little money and no political clout. It still acts like a tool of Communist social policy - a monolithic institution providing secure employment and churning out performances of dubious artistic quality. But the craze for democracy has watered down the executive authority of its directors. Plans to split the company's two opera ensembles, which would mean tearing up all the old contracts and re-engaging only those who could play a useful role, have been repeatedly postponed. Instead, the management seems obsessed by foreign tour contracts, which will do little for the company's international reputation, but bring in precious foreign currency.

In the past 15 years there have been few openings for new talent, and no injection of ideas from outside. Instead of flowering in the name of a sphere of freedom, however, musical life has begun to contract: it no longer enjoys privileged status as an arm of the state. Government economies are threatening the country's long-established network of regional orchestras and opera companies. Even prestige one-off projects like Prague's Mozart bicentenary festival in the autumn are on an unpredictable footing, with no contracts yet issued.

There is a growing fear that Czechoslovakia will suffer the same drain of musical talent to foreign parts that took place in the 18th and 19th centuries. The Czech Philharmonic Orchestra, the country's premier ensemble, recently lost two key employees to well-paid jobs in Germany. The most promising younger singers, such as the lyric tenor Stefan Margita, have signed contracts in Vienna, Stuttgart or other German theatres.

Faced with a rapidly emptying cupboard at home, Czech music promoters seem happy to engage any western singer, conductor or instrumental soloist willing to work in Czechoslovakia, even if they are of mediocre talent. The Slovak Philharmonic Orchestra, for example, has appointed the Italian conductor Aldo Ceccato as its music director. The British conductor Douglas Bostock and Adrian Leaper, who have made little or no impact at home, both have thriving careers with Czechoslovak orchestras. A young Czech

emigre who claimed to have worked with the late Jean-Pierre Ponnelle was recently appointed director of Prague's Smetana Theatre, in preference to better-known local faces. An unknown Austrian producer was hired at considerable expense for the National Theatre's new staging of *Rusalka*. Gustav Kuhn, whose career has ground to a halt in western Europe, has been engaged to conduct the prestigious opening concert at this year's Prague Spring Festival. The Czechs simply cannot afford established names. What they really need are the services of sympathetic big-name artists who are willing to come for limited spells and a smaller fee.

Czech emigres are leading the way: the Vienna-based conductor Martin Turnovsky showed what is possible during his recent concerts with orchestras in Brno, Pilsen and Prague, his first in Czechoslovakia for 20 years. At a stroke he transformed morale and playing standards. His programme of Dvorak, Debussy and Stravinsky with the Prague Symphony Orchestra had all the virtues of old-world music-making - cleanly sculpted performances, free of idiosyncrasy or bludgeoned, warm, integrated sound and unforced musicality which Turnovsky drew from the orchestra as a vital part of the Czech musical heritage: it is a tradition worth preserving.

So, too, is the uncommercialised atmosphere of the Prague Spring Festival, which was bombarded with offers

Prague is paying the price for years of artistic stagnation, says Andrew Clark

from hard-nosed western marketing companies after the revolution. The festival has instead pulled off Czechoslovakia's first home-grown arts sponsorship deal, with the recently-privatised trading company Motokov. The deal will cover 70 per cent of this year's budget, and in the short-term at least, it should allow the festival to preserve its distinctive Czech character.

A more visible sign of home-grown cultural enterprise is the Prague Chamber Opera's "Best of Mozart" project. The company, run by a group of ambitious but inexperienced young stage directors, has erected a temporary stage underneath the Smetana Museum next to the Charles Bridge. English-language posters splashed around the centre of the city proclaim an evening of "stage clips from W.A. Mozart operas" performed by "the original Prague Mozart Company". With tickets costing three times more than a good seat at the National Theatre, the show is unashamedly pitched towards foreign visitors.

Although it turns out to be little different from a down-market Edinburgh fringe revue - a 15-piece orchestra, non-stop production gags of the bawdy student variety, variable singing and no spread except for Mozart's music - the project is a useful workshop for a generation that rejects the safe, sedate credo of the National Theatre. It gives 50 young people a chance to experiment with the government, picking up two-thirds of the bill. Their next task is *The Fall of the House of Usher* by Philip Glass.

It is a spirited response to the new artistic climate. But the fundamental problems in Czech musical life remain: rampant inflation, falling audience figures, low morale and the task of revitalising a culture that has been allowed to stagnate. The Czechs realise it will be an uphill struggle. The revolution has begun to recede. Much has changed. Much remains the same.

Paintings that preserve the image of the nation

IN AN unprepossessing civil service office block, facing onto the Bankside power station in south London, Dr Wendy Baron presides over the Government Art Collection. It is one of the largest in the UK, consisting of 16,000 works of art, few of which languish unused. Around 85 per cent are on loan, a half decorating the offices of Government Ministers, a half our Embassies and official residences overseas.

As much as the British Council or the Foreign Office, Dr Baron is responsible for the overseas image of the nation. When an Ambassador, or High Commissioner, makes small talk with a foreign dignitary, he, or she, often uses the pictures on the Embassy walls to break the ice. They represent the nation now - and its view of its past.

When an MP finally makes it to Minister it is to Dr Baron that they go to decide on their office decoration. She is currently waiting to hear from the Prime Minister on his plans for 10 Downing Street, which was modelled by Mrs Thatcher on the lines of a small but elegant 18th century villa. Mrs Thatcher took a great interest in the Fund, to the extent that she insisted it bought a picture by Sir Winston Churchill. Later she saw it as important for projecting the national identity.

Like all Government arts organisations the Art Collection struggles on against the financial odds. The maintenance costs of the collection rise remorselessly leaving less than £100,000 a year available for new purchases. Much of Dr Baron's energies are now devoted to conservation. Foreign climates can have a very deleterious effect on art and she has decided against buying any more works on paper. The political climate can be equally hostile - Dr Baron has just lost her first painting in over a decade following damage to the embassy in Madrid.

In practical terms the purchase grant has been falling slowly for years while the price of pictures has stormed ahead. Dr Baron can remember when she had the

funds to buy works by Auerbach, Kossoff, and Hodgkin during the year, and more of the rising generation of British artists who later commanded international reputations, and prices in excess of £100,000 for each painting.

Now she buys just a handful of pictures and is usually plugging gaps. Ten years ago the Foreign Office decided that Ambassadors could not move their art around with them - it was too damaging and expensive, and there was a growing tendency for them to believe that they actually owned the pictures. Now the aim is to smarten up each Embassy in turn, to reach an ideal, within tighter controls.

Washington, the most important, is currently getting the treatment. The outgoing

Antony Thorncroft on the art collection which furnishes government offices and embassies

Ambassador filled two important spaces with his own paintings and Dr Baron now has to find suitable replacements. She bought, at auction, a portrait of the Founder of the American Philosophical Society painted by Robert Edge Pine, an 18th century British artist who also worked in the US - it may not be great art but, with its Anglo-American connections, it makes the perfect talking point.

Dr Baron does not always have to be diplomatic in her choices and is at liberty to follow her own judgement. Another recent buy was a triptych by a young artist Harriet Hill that she saw, and loved, at a private view. She has yet to find the perfect spot for it. Usually the pieces fall into place. Lisbon needs some attention; the Portuguese born Paula Rego is regarded as one of the finest contemporary "British" artists and Dr Baron is hoping to buy one or two Regos, but is well aware

that they will bite deeply into next year's budget.

In the past Ambassadors and Ministers could raid the national collections for their art, in particular the National Gallery and the Tate. Now there are restrictions on such borrowings. Only 10 (and 11), Downing and Lancaster House can ask for something from the National Gallery and since all its collection is on view to the public its director Neil MacGregor needs some convincing before he agrees.

The Tate has over 70 per cent of its holdings in its vaults, but most of these are on paper. It will lend, but for a maximum period of five years and only if it can spare the work. It has just agreed that the new Minister for the Arts, Tim Renton, can borrow a Peter Blake. Each new Arts Minister feels forced to refurbish the office. Out goes David Mellor's strident John Hoyland; in comes Blake and Howard Hodgkin. But like Ambassadors, Ministers are not now encouraged to move around the Collection. The aim is to let it settle.

There is little great British art in our embassies overseas. Paris has a Turner and Rome a fine collection of Italian masters bequeathed by the wife of a former ambassador. One of the finest paintings is in Athens - Thomas Phillips famous portrait of Lord Byron in Greek dress.

But the quality is improving as Dr Baron's modern purchases make their way overseas. Suddenly there is a greater willingness to promote the Collection. This month the first of a series of illustrated monographs detailing the art on display was published, thanks to sponsorship by Christie's. It covers the Bonn Embassy, and gives a representative glimpse of how the Collection is made to work. The art ranges from 18th century portraits, such as that of the 3rd Duke of Marlborough, who died campaigning in Germany in 1768, to paintings by Paul Nash, Edward Burra and Vanessa Bell. There should be plenty of scope for small talk there.



Detail from 'Byzantine Lady' by Vanessa Bell, c.1911-12, which hangs in the British embassy in Bonn

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Right Russian sounds

law Ochman tackles Hermann here with unflinching directness, if not consistent beauty of tone; it is brave, challenging singing and generally comes off well. The only real snag is too an enchanting Lisa from Stekla Evgenevna, by no means rare-life Countess, Penka Dilova, and a decent enough Tomsy in Ivan Konsulov.

But Yuri Mazurok makes a dull Telsky, a sinister and his lifeless, boorish performance is the main blot upon that account. Everything else about it is at least intelligent, if sometimes a little over studied - Nicolai Ghimasev's Gremm, for example, and Tchakarova's feeling for line and expressive shape is even more rewarding here than in *The Queen of Spades*. One can imagine fresher, less mature-sounding Tatyana than Anna Tomova-Sintova: the Letter Scene sounds just a little too much like an attempt to remember a first love rather than the thing itself - there's no impulsiveness, no emotional whirl - and certainly a younger Lensky than Nicolai Gedda. But he savours every phrase of his aria in an inimi-

Tchakovsky: The Queen of Spades. Ochman, Konsulov, Mazurok, Dilova, Evgenevna, Toczyska, Bulgarian National Chorus, Sofia Festival Orchestra/Tchakovsky. Sony Classical SSK 45720 (three CDs).

Tchakovsky: Eugene Onegin. Popov, Tomova-Sintova, Toczyska, Bulgarian National Chorus, Sofia Festival Orchestra/Tchakovsky. Sony Classical SSK 45639 (two CDs).

Musorgsky: Khovanshchina. Haugland, Atlantov, Popov, Kocherga, Burchuladze, Lipovsek, Poschner-Klebel, Zednik, Borowaka, Gahmlich, Slovak Philharmonic Choir, Vienna Boys' Choir, Vienna State Opera Chorus and Orchestra/Abbado. Deutsche Grammophon 429 758-2 (three CDs).

table way and just often enough comes up with the precise heart-stopping combination of colour and weight that forgives all the moments of unevenness. The Larina (Stefka Popangelova), Olga (Rossitza Troeva-Mircheva) and Philippvna (Margarita Lilova), new names all to me, are first-rate.

The Abbado *Khovanshchina*, eagerly awaited, is something of a mixed bag, and does not always carry the blaze of authority reported by those who do not quite match the 1989 Vienna production from which it is derived. This is a live recording, spliced together from several performances in September of that year some months after the triumphant opening and made with a cast significantly different. Age Haugland sings Ivan Khovansky on disc (it was Gharov in the opening), and Vladimir Popov Golitsin (Maruzhin before), while Marijana Lipovsek replaces Ludmilla Shemchuk as Martha. They are all more than adequate, and Lipovsek much more so, but they do not quite match the fervour of Vladimir Atlantov's Andrey, Anatoly Kocherga's Shalovsky (a gripping monologue) or even, despite the characteristic intonation, Paata Burchuladze's Dosifey.

The results, then, are intermittently rather than consistently marvellous. Abbado still achieves the remarkable feat of turning the long argument over the ways and whereof of Russian history in the second act into something approaching viable drama, and responds magically to the score's transcendental moments - the opening shows the conductor at his very finest, sifting textures and unfolding the prelude with total naturalness - while with the chorus he emphasises that *Khovanshchina* is first and foremost an opera about the Russian people; there is never any doubt of the importance of their contribution to this version.

Andrew Clements

Private View

The unrepentant Arabist

Sir James Craig talks to Christian Tyler about the Foreign Office, the Middle East and the Gulf War



SIR JAMES Craig, one of Britain's top Arabists, swears he has never been on a camel in his life. Nor, until last year, had he ever been offered a sheep's eye. When the moment finally arrived, in Dohar, his gorge rose and he passed the slimy morsel to another guest.

It was not the romance of bedouin in their tents or moonlight on the desert, that brought Craig from the academic world into the Foreign Office and eventually to ambassadorships in Syria and Saudi Arabia. He was captured by grammar and syntax. Languages are his profession and his passion.

"Language is the great love of my life," he said. "I would die for grammar, for the subjunctive. I love etymology, the history of language, comparative language. It is the greatest achievement of mankind." He collects abstruse books of grammar in tongues such as Hausa and Swahili.

There is probably no better speaker of Arabic in the West. This skill in the holy language of the Koran makes him irresistible to the Arabs. A colleague remembers him at a dinner in Damascus keeping the whole table rocking with a stream of Arabic puns.

A humorist lurks below the mandarin accoutrements of beaming black eyebrows under white hair, a pipe and gold watch chain. Craig enjoys a high reputation as a political analyst but there is nothing off-buffish about him. Perhaps it is because he escaped the premature polishing of a public school education: his father was a joiner who migrated from a small village in Perthshire to Liverpool during the Depression, and Craig went to Oxford on a scholarship from grammar school.

Although a pyrotechnic linguist, he is also a plain speaker. Challenged once by Golda Meir of Israel as to who started the Six-Day War, he replied simply: "You did, Prime Minister." His vaudeville assessment of Saudi society, containing a lot of home truths, was leaked to the press and caused a furore. But the Saudis let him return to the country and many, he says, privately accepted his observations as accurate.

The experts got it wrong in Iran, failing to spot the revolution against the Shah: some would say they got it wrong again in Iraq, helping sustain a dictator who turned out to be a danger to the whole region.

Craig readily admitted that the night before the rape of Kuwait he, the experienced Arabist, had betted that Iraq would not invade. "We've heard so much about Saddam Hussein's consummate skill. It seems to me it was a disaster to invade Kuwait and I didn't contemplate that anyone would be so foolish."

I asked whether British policy, by being too self-serving in the past, was partly to blame for the present war. Were we not in some way responsible for the rise of people like Saddam?

"I don't think we're the slightest bit responsible. They have been brought there by internal forces: it would be hard to say always by the people, but by the internal dynamics of the different countries. There is no mechanism for dealing directly with the people and if you were to try you would be open to the charge of interfering with their internal affairs."

"If you mean we should impose some pressure in order that they should reform their regimes, I should say absolutely not. We have imposed our wishes too often in the past and it has left a legacy of resentment which we are observing now. It doesn't seem to me that it is our duty or anyone's duty to try to reform the internal regimes of the whole world."

Yet we employed a lot of rhetoric

against communist regimes for their abuse of human rights, I pointed out.

"It was recognised that they were a danger to us. Saddam Hussein was not our declared enemy, was not a danger to us. The situations are different. Even with hindsight I still can't feel very guilty I did not foresee - nor did anyone else - that Saddam Hussein would become a danger, as I think he is now, to the peace of the world."

"It's always been a principle of the Arab world that they may quarrel with each other furiously, break off relations, but not actually attack each other. It's come as a shock to me as it's come as a shock to the whole Arab world."

Craig is now head of the Middle East Association, a trade advisory

body in London funded by big British companies. I said I could not escape the feeling that our commercial relations with a tyrannical and Stalinist regime were selfish and shortsighted.

Sir James sighed. "You know, this is a weary old reply but if you start not having commercial dealings with a regime which you disapprove of there aren't going to be many regimes left for you."

Human rights was a serious problem, he admitted. "But it's also very difficult to find an answer to it. It involves making judgments, drawing lines. And the difference between country A and country B may be very small. Almost every country will have some kind of secret police. How much less brutal does it have to be before we do

business with them? I recognise the problem. I have no answer to it."

The British Foreign Office has the reputation of being pro-Arab (while government and public are usually pro-Israel). I asked why.

"The Foreign Office took the view, not out of sympathy for the Arabs or hostility to Israel but out of an assessment of British interest that we ought to be more understanding of the Arab case." Parliament and public were coming to that view now, he added.

Will you always be suspect to British Jewish organisations?

"That was the case but I think it has changed now. In the middle of my career I think people outside would have gauged that my sympathies were pro-Arab. I would have contested that and said that my

sympathies were pro-British and that those sympathies led me to support the Arab case in many aspects of the problem, not in all. The feeling that everyone has to be on one side or the other is much diminished."

Do the British have a better understanding of the Arabs than others?

"If I had a pound for every time I have been told by the Arabs that the British understand them better than other people, I would be rich man. I've always taken it with a pinch of salt. We have tended to have a bigger reservoir of people who knew the Middle East, for historical reasons."

I asked Craig whether there was such a thing as the Arab mind.

"I have thought about this question a long time, and I don't think it is possible to say there is. There were a few characteristics common to different Arab societies, such as love of language and oratory, and of course the influence, even on Christian Arabs, of Islam."

We also hear that there is an Arab inferiority complex. Do you agree?

"It is such a distorted, hackneyed phrase that I'm very reluctant to apply it." But the fact that the region was industrially and technically backward - like other parts of the globe - meant that everything from motor cars and antiseptics to socialism and Darwinism had been imported.

"If you are an Arab and very conscious of the enormous cultural domination you had 1,000 or 1,200 years ago it must be pretty daunting to see that your present society is being swamped by all these imports. It's a feeling we had here on a smaller scale 30 years ago when we all felt we were being Americanised."

"When you are surrounded and submerged by all these imports you tend to look back to your own achievements - and my goodness they were very great achievements - and say: 'Why were we good? Because we were pure. It became the trigger for Islamic fundamentalism.'"

I asked for the outcome of the Gulf war.

In the worst case, he said, there would be long-lasting hostility between the Arab world and the West. In the best, the West and the US in particular would realise that it was Israel's occupation of the remnants of Palestine that prevented hostility being assuaged.

American public might come to see that Israel far from being an asset to the west, was a handicap.

"America has had to say to Israel during this war: 'Lie down, pull a blanket over your head and keep quiet.' That proves that the presence of Israel, at least in occupied territories, is a handicap."

"But it is not enough for that realisation to dawn on the US government. It has to dawn on US public opinion. But the PLO has behaved very foolishly and sympathy for the Palestinians has been considerably diminished. So I am not, on the whole, optimistic."

What does the war mean to you personally?

"One can't live and work with a people, a language, a culture, a society all those years without developing a deep interest in it, and a certain amount of affection. I don't wish to exaggerate that affection. I don't mean that I'm in love with the Arabs."

"When I see a war in that area and people dying I am naturally very distressed in way that I was not - it sounds callous to say so - moved by the war in Vietnam."

"This crisis has led me into disagreement with many of my friends, both Arab and British friends, who don't take the view I take that this war was both just and necessary."

Norman the conqueror

Michael Thompson-Noel

I HOPE you are sitting down, because what I have to tell you will come as a shock. The real Norman Lamont, Britain's chancellor of the exchequer, has been in pre-budget purdah since January 1. The one we have seen recently, strutting and fretting as the economy heaves and sags, is... an actor, a double, a brilliantly-trained decoy whose role is to hold the fort by unveiling tiny cuts in interest rates while the real Norman Lamont undergoes intensive coaching at a secret location.

Nor is that all. The John Major we see before us isn't John Major. He, too, is being coached. Malcolm Rifkind, the real one doesn't want to be Malcolm Rifkind. Tom King is real, and so is Michael Heseltine. But Chris Patten is a double: in fact there are four of him.

The news that up to a third of the British cabinet is receiving secret coaching will transfix the nation. The follow-up will be impressive: the *Sunday Times*, I imagine, will field an 80-page *Insight*.

Yet my rivals will discover that these ministers have been very cleverly hidden. Despite weeks of enquiry, the only one I have located is Norman Lamont, who is somewhere in the West Country (more, I cannot say) and who seemed, until this week, to be responding bravely to the arduous tuition ordained for him by John Major.

During daylight hours, the real Norman Lamont is closeted with his officials and with hot-shot political coaches, fathoming out how to extricate the Tories from the mud of recession, and win an election, without stabbing themselves in the eye again.

Each evening, however, the real Norman Lamont spends two hours with a trio of advisers - three in their own fields - who are trying to revitalise him for the daunting tasks ahead. They are: Ron Manworthy, an expert in sports psychology; Juliet Fetherbrayne, one of London's foremost PR consultants; and Micky Muff, a young and soaring chef. Ron's task is to stoke up the chancellor's confidence. Juliet is working on his image. And Micky, founder of the post-punk school of English cooking, watches the chancellor's diet.

Two nights ago the real Norman Lamont and these experts enjoyed a particularly spirited session. I know all about it because my mole has placed a tape recorder in the room where they meet. I am nervous of these tapes, and not sure where they leave me *vis à vis* the mushrooming codes of practice and professional deportment with which journalism is now beset. Yet the story is so important that I must play things by ear.

Here is an extract from Thursday night's session:

Ron Manworthy: "You're making excellent progress, chancellor, but in the short time left before the budget we want to work intensively on your stamina and self-image. You have an appalling time ahead of you, but you will prevail. Repeat after me: 'I am a warrior. I am the champion. Might is right and right is might.'"

is might."

There is mumbling on the tape. Ron: "Remember what Mike Tyson told the *Boston Globe* before he fought Michael Spinks. He said: 'I'll break Spinks... When I fight someone I want to break his will... I want to rip out his heart and show it to him. People say that's primitive, that I'm an animal, but then they pay \$500 to see me fight.' You are a warrior, Norman - isn't he, Juliet?"

Juliet Fetherbrayne: "Yah, absolutely. Our research shows you scoring well, Norman, for lucidity, conviction and mastery of your brief. But you're not really likeable. One-to-one you're likeable, here in this room. But we have to go beyond that - broaden your likeability, especially on TV. 'What we need, Norman, is a bit of a mega-shift in your public persona. Of course you're not a spy, Norman - that's just the media what a lot of jokes - but we want to change your profile: soften your edges yet firm up your caring centre. You must be attractive to women.'"

Clearly the B's and C's: do you think you can manage that? start by flattening your hair - and trusted by men. Self-image is all-important: the caring sharing you must grow from within. Perception-wise, we've got to find the '90s man lurking deep inside you."

There is more mumbling on the tape.

Ron: "You seem to be doing your gym-work, chancellor, but we've got to down-size you faster: you're still too plump, too reminiscent of the young Nigel Lawson. That spells catastrophe. These are the classic '80's; slimmness is where we're at. Don't you agree, Micky?"

Micky Muff: "Yeah, absolutely. I've been reading Juliet's press cuttings and there is one aspect of your image, Norm - your infamous Italianess - that we've really got to kill. Last December one of the papers likened you to a Neapolitan tenor: dark, fleshy, dramatic, with unexpectedly delicate gestures. From now on you're to eat nothing but salads and vegetables: smoked salmon salads, pan-braised celeriac, potato and mushroom ramekins. We'll sort you out, Norm."

The tape splutters furiously. Juliet: "Of course we're on you're side, chancellor. Micky should have added that your appearance is deceiving. Even the papers say you are the soul of circumspection, a cool, calculating capitalist who has reached the peak of his career by augmenting natural talent with well-timed trimming."

Micky: "They also say he's selfish."

Ron: "... Drop it right there, Micky. Remember, the budget is looming dangerously. The chancellor has much to do before his public re-appearance. Now then, Norman, say after me: 'I am a warrior. I am the champion. Might is right and right is...'"

There is a deafening crash, and the sound of glass shattering. Ron: "After him, Micky. Sound the alarm, Juliet. Whatever happens, he mustn't escape..."

SPORT

Ice Hockey/Peter Berlin

LA enters the ice age

SPORTS fans in Los Angeles arrive late and leave early. They are a quiet bunch too. When the Kings ice hockey team play at home there are times when the only sound is the tick-tick of the puck being passed from stick to stick. But when 99 passes there is no noise, just a click when the puck arrives, as if laser-guided, on a team-mate's stick.

Nowadays, there is a brief spell in the second period of each game when the Great Western Forum is as near full as it ever gets (many season ticket holders turn up only occasionally). Two years ago swarms of seats were empty throughout, but that was before The Great One, Wayne Gretzky, arrived.

Gretzky came to LA from Edmonton in August 1988. The Kings traded two budding stars in return, but, unusually for North American sport, the deal was anchored in cash. Peter Pocklington, owner of the Edmonton Oilers - and of Gretzky's contract - pocketed \$15m. The Kings got the man who had rewritten the National Hockey League record books and led the Oilers to four Stanley Cup wins. More importantly, they bought themselves credibility.

Los Angeles is isolated in the sunshine, thousands of miles from the game's heartland in the snow belt. The Kings had a long losing record. Gretzky was a ready-made celebrity, a must-see genius of his sport and a tireless and polished PR man for ice hockey.

Gretzky holds almost every imaginable NHL scoring record. In ice hockey, players gain a point for each goal and each assist - awarded to the last two players to touch the puck before a team-mate scores.

Gretzky holds the records for most goals, assists and total points in a season and the most assists and points in a career. At 21 he scored 212 points; the previous record was 147. The one record he is still chasing is Gordie Howe's lifetime total of 801 goals, but then Howe also holds the records for most seasons played, 26, and most games played, 1,767. Gretzky, who turned 30 to a great

fanfare last month, is in his 12th season. At his present rate he will break Howe's record before his 33rd birthday.

Gretzky chose his number, 99, partly in homage to Howe, his childhood hero, who wore 9. In turn, Mario Lemieux, Gretzky's heir apparent, wears 66 on his often-injured back.

Two-and-a-half years after Gretzky joined the Kings they sit on top of their division. Just after they had walloped the Vancouver Canucks 9-1 at the end of January, the Kings' dressing room was overrun with media, hockey players, baseball and golf stars and minor celebrities. The club is said to be making a handsome profit - previously it lost between \$3.5m and \$5m a season.

So what is the Great One's greatest contribution? The Kings' small, round

"I don't have a lot of speed or a lot of strength. I try to rely on my brains"

owner, Bruce McNall, who made millions dealing in coins, stands amid the furore and briefly ponders: "Stallone and Candy came out to games now - that's changed the excitement level."

Indeed, just about the only time the fans make a noise is when John Candy, a Canadian comedy star, stands in his seat and acts as cheerleader. If a star tells you to shout in L.A., you shout.

Where does Gretzky believe his talent lies? "I'm mostly a finesse player. I don't have a lot of speed or a lot of strength. I try to rely on my brains."

Gretzky's skating style may be unorthodox - he leans a long way forward and uses long, stiff-kneed strides - but he is fast enough. Against Vancouver he scored on a characteristic breakaway, skating two-thirds of the rink one step ahead of the pursuing Canucks, waiting for goalie Troy Gamble to commit himself, then flipping the puck round the goalie's body. If Gretzky were slow he would have been caught; but

there are faster skaters who would not have anticipated the Canucks pass on which Gretzky pounced.

Gretzky, at 12 stone and 6 ft, is small by NHL standards. In hockey high-speed body contact is legal. Every team has its hard men and they all want to put the frightened on Gretzky. But they cannot catch him.

In the middle of the high-speed melee that is an NHL game, Gretzky is easy to pick out. He is the one in yards of space, even when he is perched in the narrow corridor behind the opponent's goal orchestrating attacks.

He has the knack of wrong-footing opponents two strides before he reaches them. When there is no gap to squeeze through he will suddenly spin away, wheeling at centre ice, the puck guided to his stick until a team-mate is open. With a flick of the wrist another noiseless pin-point pass zips on its way.

Sometimes, Gretzky can become invisible as well as silent. "He does a neat job of staying out of sight - out of your peripheral vision," said New York Islanders defender Gary Nylund. Gretzky is fond of saying: "I go where the puck is going, not where it was." It sounds easy, but only he is smart enough to do it.

He has unusual stamina. In Edmonton he would regularly spend twice as much time on the ice as other attacking players. In LA he is protected and takes a regular turn, every third shift. That, combined with the weaker supporting cast and a league-wide fall in goal-scoring, helps explain the slight downturn in Gretzky's scoring which made some of the 30th birthday stories read like obituaries - even so he again comfortably leads the league scoring race.

In addition, now that he has few records to break, perhaps Gretzky is pacing himself through the regular season, treating it like the glorified exhibition series it is, saving himself for the one prize that matters: the Stanley Cup. Nonsensically, the 21 teams in the league play 80 regular-season games apiece to eliminate just five teams from



The Great One: Wayne Gretzky has turned Los Angeles into a contender

the Stanley Cup play-offs, and the Kings are in no danger of missing out. Gretzky has always been able to raise his game even higher in the Stanley Cup play-offs, but will have to be at his peak if LA is to end its dismal record of never reaching the third round.

Four days before the Vancouver game, LA entered the final period trailing narrowly to New Jersey. But rather than getting behind their team the Forum fans wanted to get behind the wheels of their cars. As the Kings laid siege to the visitors' goal the fans streamed through the exits. Gretzky's purpose in LA is to keep them in their seats one evening in May long enough to see him hold the Cup aloft again. His motive supporting cast make that an implausible script, but Gretzky's greatest gift - the one that makes Tinseltown his natural home - is his ability to deliver the theatrical ending.

Soccer

Pressure play

THE resignation of Kenny Dalglish as manager of Liverpool yesterday demonstrated that in soccer even success has a price.

Dalglish explained: "The biggest problem was the pressure I was putting myself under in my desire to be successful."

Dalglish joined Liverpool as a player in 1977 and became manager the day after the Haysel Stadium tragedy in 1986. The next year he led them to the double of English League and FA Cup for the only time in their history. Since then he has won two further championships and one FA Cup.

Liverpool lead the First Division and next Sunday face a showdown with Arsenal, their chief rivals. They are still in the FA Cup, locked in a fourth round tie with their neighbours Everton after a 4-4 draw on Wednesday night. Next season they are likely to return to European competition for the first time since Haysel. If that is pressure, then it is the type of pressure any coach in sport would welcome.

It seems a strange time to go, Liverpool fans, who remember Dalglish's grace under extreme pressure after events at Hillsborough, when 94 Liverpool fans died, speculated about behind-the-scenes dramas.

Dalglish has a reputation as tough negotiator on his own behalf. He was probably the best-paid manager in the English league with a contract worth at least £200,000 a year. Last year a benefit game was played on his behalf, almost unheard of for a manager, and

yielded Dalglish £200,000. The club has also been worrying about whether it can afford to keep John Barnes, a player Dalglish bought, in the face of generous offers from Italy and Spain. Both areas could have caused friction between Dalglish and his board, as could his secretive and self-reliant nature.

Dalglish could surface at another club in the summer - Glasgow Celtic, his first team, perhaps his first love, are in a desperate state and Real Madrid will need to replace caretaker Alfredo Di Stefano. This would hardly square with his protestations that he could not stand the pressure. But all the signs suggest that pressure is the explanation.

Dalglish is always wary. Given the choice, he keeps his thoughts and emotions to himself and will often refuse to answer even the most innocuous questions, seemingly on the principle that he can see no reason to share his knowledge.

He is a tightly-coiled man. During games he always stands in the dugout. He never sits down. He watches the play, his face pale and expressionless, thin lips pressed together, without allowing any release of emotion. Yet his very refusal to show his feelings conveys suffering. On Wednesday night in the middle of an exhilarating, joyous cup-tie against Everton he looked like a man being dissolved by his own digestive fluids.

In Liverpool his triumphs, and those of his revered predecessors Bill Shankly and Bob Paisley, mean that even success can be viewed as relative failure. Over the last three months he has not picked

Peter Beardsley, the crowd's favourite, and has had to endure chanted demands from the terraces. On Wednesday he started Beardsley, who scored twice. Far from proving Dalglish's tactical acumen this was taken as a sign that he had been wrong all along.

Dalglish has also been the subject of second guessing about his ageing defences and midfield. Certainly the defence made three horrible mistakes but the whole team, driven by a cobbled-together midfield containing two defenders, dominated and produced patches of the flowing football that has been its hallmark for two decades. Dalglish must have been doing something right.

The task that faces Ronnie Moran, the coach who has been appointed caretaker manager, is to keep his injury-hit team playing well after the distraction of Dalglish's resignation. Liverpool have a tradition of appointing managers from within, which makes Moran the most likely successor; unless he has a disastrous three months. Other possibilities are three former Liverpool players - Phil Neal, Graeme Souness and John Toshack - who have enjoyed mixed success as managers elsewhere and club captain Alan Hansen, whose playing days seem to be drawing to an end after a series of injuries.

Meanwhile, one immediate effect of Dalglish's departure will be to allow his chief rivals, struggling to emulate his success, to feel that the pressure on them has briefly eased.

P.B.